

BOARD OF MANUFACTURED HOUSING
DEPARTMENT OF FIRE, BUILDING AND LIFE SAFETY

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
May 12, 2010
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PREPARED BY:

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BOARD OF MANUFACTURED HOUSING
DEPARTMENT OF FIRE, BUILDING
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(Original)



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XI. Adjournment

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1 REPORTER'S TRANSCRIPT OF PROCEEDINGS, taken
2 before the Board of Manufactured Housing, Department of
3 Fire, Building and Life Safety Board Meeting held at
4 1110 West Washington, Phoenix, Arizona, on the 12th day
5 of May, 2010, commencing at the hour of 1:00 p.m. of the
6 said day. The proceedings were reported by DOREEN C.
7 BORGMANN, RMR, CRR, and a Certified Reporter in and for
8 the County of Maricopa, State of Arizona.

9

10 BOARD MEMBERS:

| | | |
|----|------------------------|---------------------|
| 11 | ROSS E. WAIT, Chairman | CARLO LEONE |
| 12 | SAMUEL BAIRD | CATHERINE MCGILVERY |
| 13 | PAUL DeSANCTIS | ROGER WENDT |
| 14 | NEAL HANEY | JOSEPH STEGMAYER |

15

16 FOR THE DEPARTMENT:

| | | |
|----|-------------|----------------|
| 17 | GENE PALMA | BETH SOLIERE |
| 18 | DEBRA BLAKE | MARYANN KNIGHT |

19

20 ALSO PRESENT:

| | |
|----|----------------|
| 21 | SCOTT BUTLER |
| 22 | JIM BROWN |
| 23 | DAVID ROE, JR. |
| 24 | KEN ANDERSON |
| 25 | KARA HOLT |

P R O C E E D I N G S

CHAIRMAN WAIT: I'm going to go ahead and call the meeting to order. Welcome, Joe. You're right on time. Roll call, please.

MS. KNIGHT: Sam Baird.

MR. BAIRD: Here.

MS. KNIGHT: Paul DeSanctis.

MR. DeSANCTIS: Here.

MS. KNIGHT: Robert Gibb. Neal Haney.

MR. HANEY: Here.

MS. KNIGHT: Carlo Leone.

MR. LEONE: Here.

MS. KNIGHT: Catherine McGilvery.

MS. McGILVERY: Here.

MS. KNIGHT: Joseph Stegmayer.

MR. STEGMAYER: Here.

MS. KNIGHT: Ross Wait.

MR. WAIT: Present.

MS. KNIGHT: Roger Wendt.

MR. WENDT: Yeah.

MS. KNIGHT: Debra Blake.

MS. BLAKE: Here.

MS. KNIGHT: Gene Palma.

MR. PALMA: Here.

MS. KNIGHT: Deb Soliere.

1 MS. SOLIERE: Here.

2 CHAIRMAN WAIT: Third item of the agenda is
3 approval of court reporter transcript and abbreviated
4 minutes of March 17, 2010.

5 MR. WENDT: Move approval.

6 CHAIRMAN WAIT: I have one correction. That on
7 the abbreviated, it says, "Approval of September 2009
8 Board Minutes." It says I made the motion to approve
9 them. And it was actually Mr. Wendt who approved them.
10 That's shown in the detailed -- just a minor correction.

11 All right. That correction noted, all
12 those in favor, say "Aye."

13 (All responded "Aye.")

14 CHAIRMAN WAIT: Any opposed? Motion carries the
15 same. Thank you.

16 Okay. Next item is financial reports. And
17 the first one is January 2009 Report as presented by
18 Deputy Director.

19 MS. BLAKE: Thank you, Mr. Chairman. What's
20 contained in this tab section in your handout is the
21 January, 2010, the February, 2010, and the March, 2010.
22 I know in past Board meetings we typically only give you
23 the last most recent, which would have been the March.
24 The reason I included all three months this time is
25 because, when we get to the discussion about possible

1 review of fee increases for fiscal 2012, January 2010
2 was used as the baseline to calculate all those
3 measurements.

4 Any questions about the reports themselves
5 as you review those?

6 CHAIRMAN WAIT: I have just one question. It's
7 on that initial, the first report in your -- this is
8 really -- I haven't had really an opportunity to go
9 through it other than this real quickly a few minutes
10 ago, and I'm really impressed. I'm glad to see
11 something like this in our hands. Anyway, I'm looking
12 forward to using it during this meeting.

13 MS. BLAKE: Thank you.

14 CHAIRMAN WAIT: Thank you. Anyway, the question
15 I have is, if you look at the top line, Engineering
16 Report, it says year to date, 670, prior year to date,
17 1610. In approximate numbers, that's a two thirds
18 decrease. But when you go for the revenue, it was
19 56,000, and the prior year to date, 66,000, which is
20 only about maybe a 12 percent decrease. Would that be
21 reasonable?

22 MS. BLAKE: I think that part of the reason that
23 you're seeing that is for this year to date, we've seen
24 a significant increase in the number of factory-built
25 buildings, both residential and commercial.

1 CHAIRMAN WAIT: Okay.

2 MS. BLAKE: And the fees for reviewing those
3 reports is typically much higher --

4 CHAIRMAN WAIT: Okay.

5 MS. BLAKE: -- than it is for foundation systems
6 for manufactured homes or things like that. We will
7 double-check that to make sure that it is accurate. I
8 have every reason to believe that it is.

9 MR. PALMA: We can also break it down and try to,
10 you know, just show you in terms of the number of FBB
11 versus others and in terms of number plus what the
12 revenue generated. We can do that for you, too.

13 CHAIRMAN WAIT: Okay.

14 MR. PALMA: We'll make a note for that next
15 meeting, and we'll have that broken down for you.

16 CHAIRMAN WAIT: It was more just a question. It
17 didn't seem reasonable on the surface.

18 MR. PALMA: No. That's a good question.

19 CHAIRMAN WAIT: Roger.

20 MR. WENDT: On that same report, Permit Report,
21 under Manufactured Housing, how about year to date of
22 463, prior year to date of 57. That's got to be a typo,
23 I would think.

24 MS. BLAKE: Thank you. I'll check that.

25 MR. WENDT: Pretty interesting for us to know not

1 only production, but permits tell us homes that are to
2 be installed. Accuracy there is important to me.

3 MS. BLAKE: Thank you. We'll check that and
4 resend the report to verify or correct.

5 CHAIRMAN WAIT: All right. Any more questions
6 regarding the reports? Check something here.

7 MR. BAIRD: Just a question. Would it possible
8 for us to get this a day before the meeting so we'll
9 have a chance to go through them and study them?

10 MS. BLAKE: Certainly.

11 MR. BAIRD: E-mail filing? Take our time here to
12 look over them and miss something.

13 MR. PALMA: How soon before the meeting,
14 determining the accuracy of the reports, do you think we
15 can get it out?

16 MS. BLAKE: We can send it in the Board packet,
17 which is usually sent to give you two weekends prior to
18 the Board meeting to review it. The only challenge with
19 that may be that the report you get may not be the most
20 current. And the reason I say that is because they
21 always run a couple months behind.

22 Because of the way the reporting cycle runs
23 into the month, I don't see the reports until the 10th
24 of the following month. And then depending on how long
25 it takes staff to work on that process, the report, it

1 could be that the report you will see is two months
2 behind. But it would still be good information for you
3 to have.

4 CHAIRMAN WAIT: I agree with that wholeheartedly.
5 And even if I -- if you had to wait an extra week
6 instead of two weeks and reflected a more accurate -- or
7 maybe not more accurate, but more current, that would be
8 fine. As long as we have a few days to go through it
9 and digest it to develop our questions or thoughts.

10 MS. BLAKE: Okay. Certainly.

11 MR. BAIRD: Thank you, Mr. Chairman.

12 CHAIRMAN WAIT: Thank you. On this one,
13 production report --

14 MR. BAIRD: Which one?

15 CHAIRMAN WAIT: -- I'm confused. Well, I'm
16 talking about the one that was at least e-mailed to me.
17 I suppose I ought to go to the --

18 MS. BLAKE: That should be page 7 in your packet.
19 The page number is at the bottom.

20 CHAIRMAN WAIT: Yeah. 7 is the one I had a
21 question about. I'm confused as to how this report
22 works. Basically, let's look at January. It says 2010.
23 It says 81 single-wides?

24 MS. BLAKE: No. The Single column indicator
25 above is the sum total of all the manufacturers

1 production report broken down by --

2 CHAIRMAN WAIT: Okay.

3 MS. BLAKE: -- single, double, triple.

4 CHAIRMAN WAIT: Got you. I got it. Never mind.

5 MS. BLAKE: Okay.

6 CHAIRMAN WAIT: Yes.

7 MR. BAIRD: Yeah. They had 52.

8 CHAIRMAN WAIT: Okay. Now I understand.

9 MR. WENDT: Single section homes are up compared
10 to last year; right? Single section -- production of
11 single section homes as a percentage of the total homes
12 is up compared to what we've seen in the last few years.
13 Is that accurate, Sam?

14 MR. BAIRD: I think it is accurate. It's not
15 reflected in this report. But overall, it's probably
16 doubled over last year, although it's a very small
17 number. I'm talking five percent to ten percent.

18 MS. BLAKE: Yeah. And just to clarify, that
19 production trend section that you're looking at that has
20 all of the months and all of the years, current year and
21 past years, is representative of all single, double,
22 triple quad, all units sum total. It's not broken out
23 single, double, so on.

24 MR. BAIRD: Other than the current month?

25 MS. BLAKE: Yes. Correct.

1 CHAIRMAN WAIT: But what's amazing to me, if you
2 take a look at 2006, look at January, 2010, what? 85
3 percent drop?

4 MS. BLAKE: Yes.

5 CHAIRMAN WAIT: I'm guessing. Huge, to say the
6 least.

7 Okay. Any other questions about the
8 reports? Okay.

9 MS. BLAKE: Mr. Chairman, I have one more --

10 CHAIRMAN WAIT: Sure.

11 MS. BLAKE: -- comment about the reports. It's
12 also in that tab section on page 12. This is a breakout
13 of expenditures. One of the things that the Board asked
14 of us last time was to give a breakdown of revenue
15 sources, and those revenue sources are, I think, clearly
16 identified on the monthly summary reports that we give
17 you as we tell you how many permits, how many plan
18 reviews, licensing, so on and so forth. Those are all
19 of our revenue sources.

20 What's not clear on that report is we just
21 gave you a lump sum total of expenditures, current
22 month, year to date. And so Maryann prepared this
23 document you're looking at on page 12, which may help
24 answer that question.

25 And that is -- what we're giving you here

1 is all of the Office of Manufactured Housing expenditure
2 categories, and they're identified in red, and then to
3 the right of that is, if you will, the laundry list of
4 every element that comprises that category.

5 And then at the very bottom of that where
6 it says Percentage, it tells you what percentage of the
7 total expenditure amount is related to that particular
8 category. So salary, ERE, which is basically benefit
9 package, that kind of thing, accounts for 61.4 percent
10 of our total expenditures for Manufactured Housing and
11 so on.

12 CHAIRMAN WAIT: And this was based on what? Just
13 last year's number, last fiscal year, this current
14 fiscal year, or --

15 MS. BLAKE: These particular percentages are
16 based on this fiscal year to date.

17 CHAIRMAN WAIT: Okay. And so I have a clear
18 understanding, if I come over to the monthly summary
19 report, whether I look at the monthly or the year to
20 date expenditures, to have a rough idea, if I took 61
21 percent of that, that would represent the payroll
22 component or salary ERE component? Would that be
23 correct?

24 MS. BLAKE: Yes. Yes.

25 MR. BAIRD: So just looking at this, salary and

1 operating is about 89 plus percent of our expenditures
2 for the fiscal year?

3 MS. BLAKE: Yes.

4 MR. PALMA: Correct on that?

5 CHAIRMAN WAIT: That give us our first handle on
6 that, I believe. Roger, please.

7 MR. WENDT: Ever on that. How much of these
8 expenses do you perceive you have direct control over?

9 MS. BLAKE: That's a loaded question.

10 MR. WENDT: But, obviously, if I want to make
11 sure that my business is solvent, I -- okay, what do I
12 have control over and can do anything with if -- that's
13 a very valid question.

14 MR. PALMA: No. That's a very valid question.
15 And presently, I am personally doing a cost analysis of
16 our cost structure. And I am breaking down, and you can
17 ask my staff. I handed out a preliminary sheet of every
18 indirect cost and direct cost for each fund that we
19 manage. Unfortunately, I have barely begun that
20 process. So I wish I could answer you with some
21 definitiveness, but this one, I can't.

22 But judging from my past experiences, the
23 best thing we can do, the best way to handle it, is our
24 labor costs, because they have so much of an impact.
25 And, again, by past experience, we can automate some of

1 the functions. That way we can increase productivity
2 per the cost. So the cost you can't really bring down
3 that much. Maybe, I would say, again judging from past
4 experiences, in fact, 61 percent falls in line with
5 other agencies that I've worked with. But in automating
6 and maybe consolidating functions, you can usually cut
7 at most seven to eight percent.

8 But now you're increasing your productivity
9 at 20 do 30 percent if you automate functions and, you
10 know, strictly perform those functions that are required
11 by statute. Unfortunately, you get sometimes the agency
12 creep where agencies start taking on functions that are
13 not required by statute, and those start taking up
14 resources. So that's part of what we're trying to do
15 now is identify just to core functions that are required
16 by statute, make sure that's all we're doing, and make
17 sure that those functions are effectively, efficiently
18 done using at most the technology that we can and making
19 sure our training staff or our staff is trained to do
20 them efficiently.

21 So I'm hoping that this -- somehow we can
22 get it down to around 56 to 55. I'd be very happy with
23 something like that if we could drop our overhead labor
24 costs by around six percent. But that remains to been
25 seen. Again, that will be a six-to-eight-month, at

1 least, venture, because a lot obviously, as we all know,
2 depends on the outcome of next week and how things go
3 from there.

4 But I hope you find this information is
5 helpful. And any suggestions, obviously, we're open. I
6 will venture to say that, you know, since we're involved
7 in the daily operations of the agency, we can do what we
8 can. Sometimes, you know, some suggestions cannot be
9 implemented or followed to the T. But we're more than
10 happy to -- you know, any suggestions you may have.

11 MS. BLAKE: Mr. Chairman, Board members, I would
12 add to that, too, that the numbers that you're looking
13 at here are pretty reflective of a leaner operation at
14 OMH. Because you'll remember last May, we had the first
15 budget cuts and the first set of reduction in force.

16 In addition to that, we looked at all areas
17 where we could reduce. For a while, we had temporary
18 employees here. So under the P and O, those numbers
19 have been drastically reduced. We used to have a
20 contractual agreement with the Attorney General's Office
21 where we paid a portion of the salary for legal support.
22 We no longer do that because our budget doesn't allow us
23 to do that.

24 So in-state travel obviously reduced a lot.
25 We still have to get out there and inspect. Sometimes

1 we have to travel the state. But we really tried to
2 reduce as much of that as we can.

3 So I think the numbers you're looking at
4 are much leaner than they probably looked a year ago.
5 And as Gene said, we're still working to get those down
6 to improve it.

7 CHAIRMAN WAIT: Question. Would you explain to
8 me how the rent works. We have this large building,
9 most of it is ADQ, I assume. What do you do? Is it a
10 percentage of the rent for the whole building is what
11 comes out for the Department, and then does it get split
12 between OMH and the Fire Marshal? How does that work?

13 MR. PALMA: Presently, we have an agreement or
14 we've entered into a contract, the agency has, for a
15 certain square footage. So according to that square
16 footage, we pay -- I think twice a year, we pay an
17 amount. And that amount is split up amongst the General
18 Fund, and any square footage used by OMH is allocated
19 accordingly.

20 At this time we're also sharing space with
21 the State Forester, which is an issue because at this
22 point in time, they're -- they're not -- they're helping
23 us in ways with the rent, but they're not directly
24 paying rent.

25 And then we're working -- but that

1 agreement comes to an end in September, I believe, and I
2 am already speaking with the Director of Forestry to
3 hopefully come up with some other kind of compensation,
4 which will help greatly in our operating costs. But
5 that remains to be seen. That's still -- you know.

6 CHAIRMAN WAIT: Is that a fairly large number?
7 It's like 28 percent roughly for all of those items in
8 there. But, I mean, does it overall represent 10
9 percent of the budget or eight percent of the budget,
10 the rent components?

11 MR. PALMA: Boy, I wish I could tell you off the
12 top of my head. I do know the square foot cost is \$22
13 per square foot.

14 CHAIRMAN WAIT: A year?

15 MR. PALMA: Yes. And it's 8,000 -- it's -- I
16 believe it's almost 4,000 square foot for OMH. And it's
17 4,000 for -- so it's roughly 12,000 plus square footage
18 for the whole agency. But it's divided -- the cost is
19 divided amongst Fire and OMH. But we're having a third
20 that we're having to carry for Forestry. But, again,
21 we're hoping to absolve this situation here with the
22 next fiscal year.

23 MR. BAIRD: So it's four, four, and four?

24 MR. PALMA: Approximately. Yeah. So you can
25 figure it out \$22 per square foot.

1 CHAIRMAN WAIT: That's a pretty reasonable
2 amount.

3 MR. PALMA: The amount that we should be paid
4 for, the amount that we're not being paid, is 94,000 a
5 year. I know that for a fact. But, you know, that's
6 94,000 that we could be taking somewhere and allocating
7 it to one of our, you know, functions.

8 CHAIRMAN WAIT: So the Forestry Department has
9 left you out on limb then.

10 MR. PALMA: I don't know.

11 CHAIRMAN WAIT: I couldn't pass it up there.

12 MR. PALMA: Circumstances were -- obviously, they
13 couldn't come here, but they're working with us, and
14 they're good people, and I'm sure that when our next
15 stream comes around, they will step up to the plate in
16 one way or another.

17 CHAIRMAN WAIT: I understand. Thank you.

18 MR. STEGMAYER: Mr. Chairman?

19 CHAIRMAN WAIT: Yes, Joe.

20 MR. STEGMAYER: I'd like the names of those
21 people. What I do want to ask is that I read someplace
22 where we're still paying for Tucson.

23 MR. PALMA: Yes.

24 MR. STEGMAYER: Is there some contractual
25 arrangement that you ever to take that space?

1 MR. PALMA: Yes.

2 MR. STEGMAYER: When does that change?

3 MR. PALMA: That does not change until 2000 -- I
4 believe -- I'm going off the top of my head. I believe
5 it's 2011 before that next negotiation comes around. So
6 we're stuck with 54 or 57, I believe, 50,000 -- 57,000
7 annual rent for square footage that we're using maybe a
8 third of.

9 And then, again, that was not anticipated
10 when the year started out last year. They were using
11 the square footage. Then obviously with the budget
12 cuts, our resources diminished, and the use of the
13 square footage was not there. But, unfortunately, the
14 contract still exists.

15 MR. STEGMAYER: Is that with a third party or the
16 State?

17 MR. PALMA: It's a third party who negotiates on
18 behalf of the State, and there's a management company
19 involved. So believe me, I looked into that, too,
20 hoping that we could at least get our rent reduced. But
21 a contract is a contract is a contract, even in
22 government.

23 MS. BLAKE: But I believe it's a State-owned
24 building.

25 MR. PALMA: Yes.

1 MR. BAIRD: So we're saying it -- you think
2 sometime in 2001 we can get out of? Or we'll have to
3 renegotiate?

4 MR. PALMA: Now we'll be able to -- exactly.
5 We'll renegotiate the contract because now we don't need
6 the square footage. In fact, I don't think we even need
7 an office.

8 MR. BAIRD: Right.

9 MR. PALMA: We probably have the -- our staff
10 just work out of their homes and save that money.

11 MR. BAIRD: Thank you.

12 CHAIRMAN WAIT: All right. Any other questions
13 on this subject?

14 Next item on the agenda is an update on the
15 legislative bills.

16 MS. SOLIERE: There were two bills at the last
17 meeting that I updated on. One was the Alarm Businesses
18 and Agents bill, which if passed, that would require our
19 agency to license alarm businesses. The bill made it
20 through the House. When it got over to the Senate
21 committee, there was opposition, and, consequently, the
22 bill died. So --

23 MS. MCGILVERY: For the alarm?

24 MS. SOLIERE: For the alarm business, yeah. So
25 that one's done.

1 And then the other one was the Manufactured
2 Housing Escrow Account bill. That bill made it through
3 both House and Senate committees. But for reasons
4 unknown to me, it was held in Senate Republican caucus.
5 So that bill didn't pass either. That's it.

6 CHAIRMAN WAIT: Thank you.

7 Do you have any comments on that, Scott?
8 No? Just died, huh?

9 MS. BLAKE: Mr. Chairman.

10 CHAIRMAN WAIT: Yes.

11 MS. BLAKE: If we could go back to agenda item
12 IV.b.

13 CHAIRMAN WAIT: Yes.

14 MS. BLAKE: I think we skipped past that.

15 CHAIRMAN WAIT: Oh, yes, we did. Right here.

16 MS. BLAKE: Yes. And it will be --

17 CHAIRMAN WAIT: Yes. I'm sorry. No. That's
18 fine. I'm glad you caught that.

19 MS. BLAKE: So that is page 13 in your binder.
20 And this is just a copy of the e-mail that is follow-up
21 to the last Board meeting that I had sent out to all of
22 the Board members reworking the chart on educational
23 grants, which was often a source of conversation at the
24 Board meetings and with good reason. It was unclear to
25 me as well.

1 So what was represented in that e-mail is
2 also reflected on the financial reports that we've
3 already looked at going back to January, 2010, on -- I'm
4 going to also go back further, but at least for purposes
5 of this. And so I just wanted to have any conversation
6 or feedback from you. Does this make it much clearer
7 for you? Are there any suggestions on how it could be
8 improved?

9 CHAIRMAN WAIT: Neal, you are the man. You know,
10 I'd entertain a motion to rename this the Neal Haney
11 Education Fund.

12 MR. HANEY: No. That's fine.

13 CHAIRMAN WAIT: It's explanatory anyway.

14 MR. HANEY: Yes.

15 CHAIRMAN WAIT: It flows finally.

16 MR. HANEY: Yes.

17 CHAIRMAN WAIT: I appreciate it.

18 MS. BLAKE: Very good. Thank you.

19 CHAIRMAN WAIT: Thank you very much.

20 All right. Next item on the agenda is fee
21 structure.

22 MS. BLAKE: Mr. Chairman and Board members, I'll
23 point your direction just briefly to the tab called
24 current fee schedule. And that begins on page 14. That
25 is the fee schedule as it was put into place July 1,

1 2009.

2 What we will ask the Board to do at this
3 meeting is to review these fees. I've prepared some
4 detailed information for you so that this would be the
5 Board meeting where we would adjust the fees based on
6 your discussion and direction.

7 So if we could go to the next tab, which is
8 fiscal 11 fees beginning on page 16. This is just a
9 summary chart of the other information that's attached
10 in that section that we can talk about. And what this
11 chart depicts for you is, again using January, 2010, as
12 our baseline information, that's the most current
13 information we had at the time when we started this
14 discussion at the last Board meeting.

15 So the top part of that chart shows that
16 estimated annual revenues from fees based on January,
17 2010, which is the 600 -- 674,770, compared to the
18 estimated annual expenditures from that same time
19 period, shows us at 89.2 percent of our statutory
20 requirement to operate within the range of 95 to 105.
21 So that indicates there needs to be an adjustment to
22 fees.

23 One of the other things that was talked
24 about at the prior Board meeting and -- was to do a
25 little research about what the growth forecast may be

1 for 2011. On pages 25 and 26 of that packet, 25 is with
2 the help of Ken Anderson, Arizona Housing Association,
3 and all of the manufacturers who provided information to
4 him. You will see the e-mail from Ken that reports to
5 me approximately a three percent growth across the
6 Board.

7 What is on the next page, on page 26, is a
8 Reuters report that I had researched, which also
9 forecasts specifically for manufactured home sales. And
10 in this report, I believe that they are also reporting a
11 three percent growth and then make some comment in it.
12 It may be somewhat smaller for actual home sales.

13 So those are the best two pieces of
14 information I could find --

15 CHAIRMAN WAIT: Sure.

16 MS. BLAKE: -- that was specific to manufactured
17 housing. And so, hopefully, that helps you.

18 Taking you back to page 16, so calculating
19 a three percent growth forecast, that increases our
20 revenues a little bit. 687,000. Expenditures obviously
21 remaining a constant number, which would increase the
22 percentage to 90.8, which still falls short of the
23 statutory requirement of 95 minimum.

24 CHAIRMAN WAIT: Now, let me ask a couple of
25 questions. The 674 is the estimated annual revenue that

1 we're going to get from fees based upon your projection
2 for the 2010 -- 2009-2010 period?

3 MS. BLAKE: No. It's based on our actual revenue
4 stream for fiscal 10 as of January.

5 CHAIRMAN WAIT: Okay. So you took that six
6 months --

7 MS. BLAKE: Take that number --

8 CHAIRMAN WAIT: -- and carried it out.

9 MS. BLAKE: -- and you calculate it out for 12
10 months, and that's where you get that number. Same
11 thing with expenditures. The average year to day
12 multiplied by the number of months --

13 CHAIRMAN WAIT: Sure.

14 MS. BLAKE: -- calculated out for the year. So
15 they're not -- they're "guesstimates," but they're the
16 best we have based on actual information we have to
17 date.

18 CHAIRMAN WAIT: Okay. Now, coming back to this
19 three percent -- and, again, I think it's a reasonable
20 thing to put in there, but I just want to understand.
21 We're not looking at, let's say -- say the majority are
22 going to raise their prices three percent. Because
23 really what drives us is the number of units.

24 MS. BLAKE: Yes.

25 CHAIRMAN WAIT: And so are we projecting a three

1 percent increase in the number of units?

2 MS. BLAKE: Yes.

3 CHAIRMAN WAIT: Okay.

4 MS. BLAKE: And in addition to that -- thank you.
5 In that three percent growth forecast, as we look at the
6 charts on the following pages, I did not include the
7 growth forecast for the number of licensees. We don't
8 expect that to necessarily grow. What I based it on was
9 number of plan reviews, number of permits for
10 installations, so on and so forth. Because that's where
11 we would expect to see the growth. So that was the
12 methodology for calculating all this.

13 CHAIRMAN WAIT: Okay. I want to come back and
14 ask another question here just so it's clear focus in my
15 mind. Is that if we had -- and I know it's our best
16 guess, but if we had \$756,000 worth of revenue that came
17 through the door for this coming year and if we could
18 just break all the contracts here and have an
19 independent setup department somewhere else, that if we
20 had 756,000 coming through the door in fees, it would
21 support itself? Is that what we're really saying?

22 MS. BLAKE: Yes. OMH as a stand-alone.

23 CHAIRMAN WAIT: Yes. OMH as a stand-alone. I
24 know that's got going to happen. I just want to clarify
25 in my mind that's why we have these --

1 MS. BLAKE: Yes. These are OMH-specific revenues
2 and expenses.

3 CHAIRMAN WAIT: Neal?

4 MR. HANEY: The 674, that's what we expect to
5 take in in fiscal 2010 based on --

6 MS. BLAKE: That's what we're on track for, yes.

7 MR. HANEY: And three percent of that would be a
8 three percent growth forecast for 2011 fiscal?

9 MS. BLAKE: Yes.

10 MR. HANEY: And three percent of 674 is 20,000?

11 MS. BLAKE: Well, it's not three --

12 CHAIRMAN WAIT: It's not dollars.

13 MS. BLAKE: Not three percent of the total
14 though.

15 CHAIRMAN WAIT: It's permits.

16 MS. BLAKE: Because you're not doing licensing,
17 new licenses, renewals. Because we expect those to
18 remain constant. So it's a three percent growth in the
19 number of plans we look at, the number of permits that
20 we sell, the number of insignias that we sell.

21 MR. HANEY: Okay.

22 MS. BLAKE: So it's not calculated quite that
23 way.

24 MR. HANEY: Okay.

25 MS. BLAKE: Does that help?

1 MR. HANEY: That helps. Thank you.

2 MS. BLAKE: Okay. So other questions? Yes,
3 Catherine.

4 MS. MCGILVERY: If we don't meet the 95 to 105
5 percent, what happens? Like, if we go with the three
6 percent instead of the five percent, what happens? Do
7 we get penalized for that?

8 MR. WENDT: You and I get fired.

9 MR. HANEY: Cut your salary in half.

10 MS. BLAKE: That's well said. The statute
11 requires the Department to operate in that way. The
12 statutes require the Board to set fees so that we can
13 operate within that range. So, yes, the burden is upon
14 the Board based on the information that the Department
15 provides.

16 CHAIRMAN WAIT: But still I will make this
17 comment. Having been on this Board -- I don't know --
18 13, 14 years now, I'm not sure anything happens to you.
19 You know, I mean --

20 MS. BLAKE: No.

21 CHAIRMAN WAIT: -- period. I know if more money
22 goes into the General Fund, they just keep it. And
23 years where it's lower, they provide the funds. But,
24 obviously, these are much more focused time s.

25 MS. BLAKE: And I think the other thing is,

1 although you set the fees at this meeting should you
2 decide to make changes, you may adjust those fees as
3 needed throughout the year. There's nothing that
4 prevents the Board from adjusting.

5 CHAIRMAN WAIT: Okay. So that was a question we
6 had at the last meeting. Let's say, you know, like, I
7 sit on one board, and we prepared our budget for all of
8 2010, but now we have decided to buy a major building
9 and do some things there. So we did an amendment to the
10 budget to reflect that. And other than that, we've got
11 -- you know, so we have the authority and the ability to
12 go through and tweak our budget on major changes that we
13 couldn't have foreseen at the end of the -- the previous
14 year.

15 So what you're telling me is if we got
16 halfway through fiscal year 11 and we wanted to adjust
17 it up or down, we could do that?

18 MS. BLAKE: Well, I can't give you legal advise.
19 We don't have an attorney here.

20 CHAIRMAN WAIT: I understand.

21 MS. BLAKE: But it is my understanding --

22 CHAIRMAN WAIT: Yes, we do.

23 MS. BLAKE: Yes, we do.

24 CHAIRMAN WAIT: Oh, we'll hang them both.

25 MS. BLAKE: It is my understanding from prior

1 legal advice that you have a responsibility to adjust
2 those as need be --

3 CHAIRMAN WAIT: Okay.

4 MS. BLAKE: -- once they're set.

5 CHAIRMAN WAIT: Okay. That's good to know.

6 MS. BLAKE: Do you want to make any comments to
7 that? Is that your understanding?

8 MR. PALMA: That's my understanding.

9 MS. BLAKE: So I think that's where we're at with
10 that. More questions about that?

11 MR. STEGMAYER: Mr. Chairman?

12 CHAIRMAN WAIT: Yes, please.

13 MR. STEGMAYER: Debra, could you point -- in this
14 financial information, could you point out for us the
15 breakdown of the fees generated and where the bulk of
16 the fees are generated? Is it insignias? As you
17 mentioned, licenses, you expected to remain status.
18 Where are the bulk of the revenues generated, in what
19 form?

20 MS. BLAKE: Well, those are identified on your
21 financial reports. They're also attached, once we move
22 past page 16, that will show you -- let's look at page
23 18. Page 18 is a chart that's showing you -- well, this
24 is going to give you the detail? Yes. No. Hold on
25 just a second.

1 Okay. I'm sorry. It's not in your packet.
2 I was just focused on fees. What you -- I went through
3 the exercise on all of the different recommended ranges
4 that you could increase fees. And it mirrors your
5 financial reports.

6 So if I can take you back to page 6, which
7 is your January financial report, everything listed here
8 are the revenue sources. So from an engineering
9 perspective, which is the plan review, on the January 10
10 report, it shows that we looked at 95 plans. If we --
11 if the Board decides just to go with the three percent
12 economic growth, that would equate to looking at 98
13 plans instead of 95. And then we know what the average
14 plan cost is. And I went partially blind in calculating
15 all this, but that's okay.

16 And the same. So permits, we have the
17 permits broken out between manufactured homes and
18 factory built buildings; inspections, when we come and
19 we charge you for inspections, so would be coming to the
20 actual manufacturing facilities; insignias that we sell
21 to installers and contractors; the cost of getting a new
22 license compared to renewing your license are basically
23 the revenue sources that we're looking at.

24 MR. STEGMAYER: Yes. But if you look at your
25 total revenue, 393,616, the above numbers don't add up.

1 They're a far cry from that number if you add all the
2 numbers on your list.

3 CHAIRMAN WAIT: But this is only half a year,
4 Joe. The other number is the estimate for the full
5 year?

6 MS. BLAKE: Yes.

7 MR. STEGMAYER: This is year to date. How many
8 months does this include?

9 MS. BLAKE: Well, as of January would be six or
10 seven.

11 CHAIRMAN WAIT: Seven months.

12 MR. STEGMAYER: Seven months.

13 MS. BLAKE: So the fees that we took in for
14 January were 57,000. We do get payments from HUD. And
15 so for that particular month, we brought in 61,000 in
16 deposits. If you figure that as an average over the
17 months --

18 MR. STEGMAYER: I guess maybe I'm not probably
19 not making myself clear. Let me try it a different way.
20 With my Board, they always insist on everything in pie
21 charts. And not putting my Board down. They're very
22 smart people. But they like to see the percentages, for
23 example, on our product, how much goes to raw material,
24 how much goes to labor, and so forth.

25 So my question really is of all the fee

1 revenue we get, how much is the permit for the
2 manufacturer actually building the home.

3 MS. BLAKE: Oh, okay.

4 MR. STEGMAYER: And how much is for these
5 engineering permits? In terms of the percentages of our
6 total revenue, what are the most important sources?

7 MS. BLAKE: Well, we can present that to you in a
8 pie chart.

9 MR. STEGMAYER: If I may, the reason I ask it is
10 because we look at a percentage growth forecast. If the
11 bulk of our revenues come in the form of the units
12 actually produced, that would be very important. That
13 three percent growth in units would be very important.
14 Because, as you say, licenses are probably going to
15 remain fairly -- dealer licenses, salespeople licenses
16 are probably going to remain fairly predictable and
17 static.

18 MS. BLAKE: And I would say I agree with you,
19 that I'm a very graphic person, too. If you look up in
20 that November -- or that January report and you look at
21 the times total fees generated, which is about the
22 halfway point in the column, you can see that
23 engineering is 6,000; permits, if you add the two, are
24 about 13,000; inspections, you know, barely 5,000. So
25 the data's there. It's just not presented in a way that

1 you're used to, and I can certainly give you that.

2 MR. STEGMAYER: Okay. And maybe it's my
3 ignorance of the definitions. But the inspection --
4 we're generating, the permit report, \$55,000 year to
5 date; right?

6 MS. BLAKE: I'm sorry. One more time. Where are
7 you?

8 MR. STEGMAYER: Permit report section, second
9 paragraph, 55,560.

10 MS. BLAKE: Year to date.

11 MR. STEGMAYER: What are the permits? What does
12 that mean?

13 MS. BLAKE: Well, for manufactured homes, they
14 are installation permits as well as FBB. They have to
15 have a permit submitted to the office, pay a flat fee.
16 I think manufactured homes, \$120. FBB's are calculated
17 by linear foot. But it's a set fee. When we go back
18 and look at the fee schedule, you'll see that. But
19 permits bring in a lot of revenue.

20 I think the next best source probably of
21 the revenue is renewal of licenses. Again, we're not
22 anticipating growth there. So that wouldn't be
23 significant except that's a significant source of
24 revenue for us.

25 MR. STEGMAYER: In the plan review section, you

1 mentioned it's also a fairly large component.

2 MS. BLAKE: Yes.

3 MR. STEGMAYER: That is paid in what form and
4 how?

5 MS. BLAKE: Manufactured homes, the only thing
6 that plan looks at that are foundation plans and
7 accessory structures. The big dollar amount there is
8 from all factory-built buildings must have a
9 State-approved engineering plan.

10 When FEMA, HUD came out with the, you know,
11 flood zones and the special sets those required, you'll
12 recall that all home -- all manufactured homes set in a
13 flood zone have to have an engineer-approved plan then
14 approved by the State. We tried to streamline that by
15 coming up with generic plans working with Arizona
16 Housing to reduce that.

17 But primarily, the fees come from the FBB
18 side.

19 MR. STEGMAYER: Thank you.

20 MS. BLAKE: You're welcome. So if we can go back
21 to page 16 if there's no other questions at this point.

22 MR. HANEY: I've got a question.

23 MS. BLAKE: Yes.

24 MR. HANEY: The year to date, looking at page 6,
25 which is the second column from the right, is the income

1 that we've gotten year to date through fiscal January,
2 2010? Is that correct?

3 MS. BLAKE: Yes.

4 MR. HANEY: And the revenue year to date, which
5 is down in the next section, should be a total of those
6 columns; is that correct?

7 MS. BLAKE: The revenue year to -- the year to
8 date revenue?

9 MR. HANEY: Right. If you look there at the
10 engineering report, year to date is 56,000; permit
11 report is 55,000.

12 CHAIRMAN WAIT: So what you're saying, if you add
13 that whole column, would it equal the 393?

14 MR. HANEY: Yeah.

15 CHAIRMAN WAIT: It won't.

16 MR. HANEY: Why not?

17 CHAIRMAN WAIT: Well, that's -- should that
18 column then equal that one number, Debra?

19 MS. BLAKE: No, that -- yes, I believe it should.
20 That's not how we calculate it. We calculate it based
21 on adding month to month as opposed to adding the
22 column. So adding each prior month to the new revenue
23 deposits. But, yes, they should match.

24 CHAIRMAN WAIT: Yeah. That year to date column
25 that starts out with engineering and then permits and

1 goes on down, that -- and then you take a look at the
2 one number, year to date revenue, 393. I did a quick
3 calculation of the year to date column there, and it was
4 about 260 versus 393.

5 MR. BAIRD: Yeah.

6 MR. STEGMAYER: That was my point.

7 MR. BAIRD: That was Joe's first question.

8 CHAIRMAN WAIT: Yeah, it was.

9 MS. BLAKE: Thank you. It should match.

10 CHAIRMAN WAIT: Okay.

11 MS. BLAKE: And let me investigate why it
12 doesn't.

13 CHAIRMAN WAIT: Okay.

14 MR. HANEY: As long as we're looking at that, the
15 prior year to date shows 547, which is a significant
16 drop.

17 MR. BAIRD: Same issue. They don't add up
18 either.

19 MR. STEGMAYER: All the other boxes are not
20 there.

21 CHAIRMAN WAIT: Right. All the other boxes are
22 not there.

23 MS. BLAKE: Right. We don't currently report the
24 prior year to date on licensing. But we can add that.

25 CHAIRMAN WAIT: Why don't we just add it.

1 MS. BLAKE: Okay.

2 CHAIRMAN WAIT: Let's just get those two columns
3 to equal the two numbers that are below. That way we've
4 got a good double-check number.

5 MS. BLAKE: No problem.

6 CHAIRMAN WAIT: Great. All right. Now we're
7 going to go back to the fee analysis?

8 MS. BLAKE: Yes. Let's go back to page 16,
9 please.

10 CHAIRMAN WAIT: Uh-huh.

11 MS. BLAKE: Again, just getting through this
12 summary chart. So after the three percent growth, we're
13 going to assume a three percent growth forecast. And
14 the fee recommendations are listed there at five
15 percent, seven, twelve, so on and so forth. So what you
16 would actually be getting in net would be eight percent
17 of permits, insignias, things like that. You would only
18 be getting five percent increase on licenses. Because,
19 again, we don't have a growth forecast for new licenses,
20 new renewals. We expect that to remain constant.

21 So in a five percent fee increase across
22 the Board except for -- across the Board plus a three
23 percent growth forecast everywhere but licensing, that
24 gets us to the target range low end, which is 95.7
25 percent. All the way up to an 18 percent fee increase

1 again plus the three percent growth everywhere but
2 licensing gets us to the high end of that range, which
3 is 105.

4 CHAIRMAN WAIT: Okay. I understand that. But I
5 have a question. I just need to understand this. So
6 let's say the rough numbers -- let's say roughly 10
7 percent means that we've got 756 going out, 756 coming
8 in. So we're in balance, let's say. And let's say so
9 that way we have, at least number-wise, a self-
10 sustaining agency. Is that a --

11 MS. BLAKE: Yes.

12 CHAIRMAN WAIT: Okay. Now, the one percent
13 doesn't come through. What happens? I mean, if we're
14 self-sustaining, how does that -- I'm not clear how that
15 one percent, if it does not pass, is going to affect us.
16 So could you explain that? So let's say we pass it, we
17 get it in this range, and the one percent doesn't come
18 about. What happens to us?

19 MS. BLAKE: The one percent sales tax?

20 CHAIRMAN WAIT: Uh-huh.

21 MR. PALMA: We don't know anything -- we don't
22 have anything concrete yet. We've put forth information
23 to OSPB and Ninth Floor regarding what you just talked
24 about in terms of the operating expenses and revenue
25 projections for OMH. And that's all we've done. We

1 don't -- we have not had any feedback from them. We
2 don't know if that's a serious consideration or they're
3 looking -- I'm sure they're looking at other options,
4 but there's nothing really on a concrete front that I
5 can say that that would -- something would happen at
6 this point in time. Everything's still up in the air.

7 Because if it does not pass, you would need
8 an enabling legislation to make OMH become a 90/10 or
9 self-sustaining, which they only have, I believe, five
10 weeks between the fiscal year and the end of the vote
11 for it to happen. So they would need some kind of
12 legislation to make that happen. So there is quite a
13 few steps. I mean, you just don't turn on a dime and
14 make OMH a self-sustaining agency.

15 CHAIRMAN WAIT: No.

16 MR. PALMA: So I wish I could give you a more
17 concrete answer, but I can't.

18 CHAIRMAN WAIT: But still I guess I don't
19 understand is whether it passes or whether it fails, how
20 does that impact us? I mean, if it fails, then you've
21 got deeper cuts to make?

22 MS. BLAKE: Well --

23 MR. PALMA: If it fails, they've already cut the
24 agency.

25 MS. BLAKE: We have no General Fund support.

1 MR. PALMA: We have no General Fund support. So,
2 in essence, there is no -- you can't really function --
3 an agency can't function, OMH on its own, because it has
4 statutory functions that are required.

5 CHAIRMAN WAIT: Yeah.

6 MR. PALMA: But they'll -- somehow they'd have to
7 operate -- again, that's where the question lies,
8 whether it would somehow, through legislation, become a
9 self-sustaining agency. Or if there was an agency out
10 there that would somehow -- their mission and objectives
11 would be somewhat synonymous with what OMH does, it
12 would be a good fit, then they could shift them over to
13 another agency. But either way, you're statutorily
14 required --

15 CHAIRMAN WAIT: I understand that.

16 MR. PALMA: -- to match the experiences that are
17 outstanding right now.

18 CHAIRMAN WAIT: I understand that. I'm just
19 trying to -- I'm not sure what's going to happen here.

20 MR. PALMA: I wish I could tell you. But I
21 can't.

22 MS. BLAKE: And the one thing that we do know
23 that, even if it does pass, we still have to cut our
24 budget -- is it 75 or 70? Somewhere in that range.

25 MR. PALMA: If it passes, we have another 50

1 percent, I believe.

2 MS. BLAKE: Yeah. So we still have to cut if it
3 passes. If it doesn't pass, I think to your point, if
4 OMH continues, it would be good to be able to show the
5 ability to be able to self-support itself.

6 CHAIRMAN WAIT: I agree.

7 Roger.

8 MR. WENDT: That is -- you're going to be
9 required to cut what? Fifteen percent?

10 MR. PALMA: No. The agency.

11 MS. BLAKE: Of our budget. The agencies. Not
12 15. That's just the OMH expenditures.

13 MR. WENDT: That's my question. Is the 756
14 before or after the 15 percent cut?

15 MR. PALMA: We didn't make that projection.

16 MS. BLAKE: Yeah, we didn't.

17 MR. BAIRD: Could you cut it out of Fire, for
18 example? All 15 could come from Fire?

19 MR. PALMA: Possibly.

20 MR. BAIRD: I'm saying it's up in the air. You
21 don't know what you'll have to do.

22 MR. PALMA: Right. Right now we're just trying
23 to get through the next week, find out where we're at,
24 and then go from there.

25 MR. HANEY: Currently, these projected

1 expenditures include part of the cost of the Office of
2 Administration.

3 MR. PALMA: Yes.

4 MR. HANEY: Those kinds of things, which is -- if
5 they do away with Fire, Building, and Life Safety, that
6 office goes away, and we're left with just the operating
7 expenses of the Office of Manufactured Housing; is that
8 correct?

9 MS. BLAKE: Correct. But the way it's currently
10 set up, we would have to absorb all of the rent, where
11 now we share it in theory with two other entities.
12 So --

13 MR. PALMA: See, that's another issue. Because
14 so much of administrative hearings is tied up at the
15 OMH, they'd have to absorb some cost of it. So at that
16 point, again, there's some issues regarding how that
17 would work.

18 CHAIRMAN WAIT: But we could start it.

19 MR. WENDT: It's not a lot of fun shooting at a
20 moving target.

21 MS. BLAKE: Tell us about it. Yes.

22 CHAIRMAN WAIT: Not only moving, it's an unknown
23 target. It keeps cloning itself.

24 MR. WENDT: Could we anticipate or look for
25 savings from this 756?

1 MS. BLAKE: Sure.

2 MR. WENDT: Does signing an agreement with
3 another local, like Yavapai County did last year, save
4 us money as an agency?

5 MS. BLAKE: Yes, it does.

6 MR. WENDT: And my point is, again, we can adjust
7 revenue. We're being asked to adjust revenue here. And
8 my business the last couple of years, I can't adjust
9 revenue a whole lot except downward. So you just look
10 at a way to cut costs. That's my real question. Are
11 there other ways to cut this 756 so we don't have to
12 burden our industry with another increase in fees?

13 MS. BLAKE: Yes. The answer is yes. There's
14 always that opportunity. If I take you back for page
15 12, which is the list of expenditures that we've already
16 talked about how significantly we've cut it, you know,
17 under P & O Motor Pool, you know, all of the vehicles in
18 the fleet. You know, we're not making that trip to
19 Yavapai anymore. But we're making it into other remote
20 areas.

21 To your point about intergovernmental
22 agreements, we have a pretty solid list of people that
23 we are under agreement with. We've reviewed that with
24 Gene just recently. You know, we have all but two of
25 the counties and I think all but 30 of the cities. Some

1 of those cities we don't have because they don't allow
2 manufactured homes into their jurisdiction. Some just
3 have such a low volume they don't want to do it. The
4 others don't have an interest for whatever reason. One
5 of the big ones is, like, Mohave County. We don't have
6 an agreement with them. We have an inspector up there.
7 So we are pursuing other opportunities to get agreements
8 and trying to be creative about that, get the county to
9 pick up some and so on and so forth.

10 Again, on page 12, you know, this is what
11 it costs us to run, and this is really cutting costs --

12 Maryann, 40 percent over the last year?

13 MS. KNIGHT: Yes.

14 MS. BLAKE: At least 40 percent we've had to cut
15 costs. And so we have looked at all those areas. Is
16 there still opportunity to cut it more? I think there
17 always is. So we'll continue to look at that.

18 CHAIRMAN WAIT: Go to page 17.

19 Do you have a question, Roger?

20 MR. WENDT: Yes. Under the powers and duties of
21 the Board, we're charged with setting fees within 95 and
22 105 percent of the anticipated expenditure s. So are we
23 anticipating 756, or are we anticipating something less
24 or more?

25 MS. BLAKE: Well, based on the financial reports,

1 which is our best source of information, we are on track
2 to be at 756,000 for expenditures.

3 MR. WENDT: For this year?

4 MS. BLAKE: For this fiscal year. Will that be
5 the final number? Well, I guess if you look at -- you
6 know, the reports change every month. If you look on
7 page 10, which is the March report, the annual
8 expenditures now are on target for 862,000. So they
9 change.

10 MR. PALMA: I think what the Board has to keep in
11 mind is you can always lower and increase fees as the
12 year goes on. I mean, you're not locked in to any
13 particular fee structure. It gives you that
14 flexibility.

15 MR. WENDT: But it certainly wouldn't be
16 reasonable to -- excuse me, Mr. Chairman.

17 CHAIRMAN WAIT: Go right ahead.

18 MR. WENDT: Wouldn't be reasonable to have one
19 fee schedule for licensing in July and change in January
20 when somebody else's license renewal was up. I mean,
21 the only place you'd have the ability to do that more
22 than once per year would be on permit fees and
23 engineering, basically the only two you could play with
24 during the year and make any kind of adjustment.

25 CHAIRMAN WAIT: This brings another question to

1 me. From the January report, it's 756,000. So two
2 months later, 60 days later, we have the March report,
3 and now it's estimated at 862. So it's gone up 100 and
4 what? \$108,000 in two months? And did something
5 abnormal happen in February or March that would cause
6 that big a swing.

7 MS. BLAKE: I'm not an accounting expert.

8 Do you recall, Maryann, was there some big
9 payout?

10 MS. KNIGHT: Our rent.

11 MS. BLAKE: We don't pay rent every month.

12 MS. KNIGHT: Twice a year.

13 MS. BLAKE: So we got hit for the second half of
14 the rent in February or March? So it's just when those
15 things hit cycle. That package.

16 CHAIRMAN WAIT: It's just going on that package.

17 MS. KNIGHT: Pay in it October.

18 MS. BLAKE: We pay in it October. So that would
19 reflect in January.

20 CHAIRMAN WAIT: So the numbers in there are cash
21 flow numbers.

22 MS. BLAKE: They're cash flow numbers.

23 CHAIRMAN WAIT: They're not -- okay, it's \$20,000
24 a month rent. Even though we pay 120,000 twice a year,
25 you don't just do 20,000 a month as an allocation. You

1 just take the whole 120 when it hits?

2 MR. PALMA: Right.

3 MS. BLAKE: Yes. Yes.

4 CHAIRMAN WAIT: So probably that 862 will average
5 itself back down as you head towards the end of June, I
6 assume.

7 MR. PALMA: Yes.

8 MS. BLAKE: I would think so, yes.

9 MR. BAIRD: Mr. Chairman.

10 CHAIRMAN WAIT: Yes.

11 MR. BAIRD: From a private sector viewpoint, if
12 we know our revenues or we "guestimate" our revenues are
13 going to be \$687,000, what we would do if you want to
14 stay between the 95 and 105, we multiply that 687 times
15 .95, and we come up with \$652,823 that we could spend.
16 And then we work backwards on our expenses to get to
17 that point, which means we'd have to reduce our expenses
18 by a little over 100,000 or 13.17 percent. Different
19 value for the deal.

20 CHAIRMAN WAIT: Now you're dealing with
21 standardized accounting for corporations versus
22 government accounting, which are planets apart. Planets
23 apart.

24 MR. BAIRD: Planets. Yeah. I just had it all
25 figured out.

1 MR. HANEY: I thought you did, too.

2 MR. BAIRD: Fourteen percent reduction, we're
3 there.

4 MR. HANEY: My problem is that looking at these
5 -- and it's the same problem we've had for several years
6 now -- when we just sit down and add up a single column,
7 they don't come up. So I personally don't have a whole
8 lot of confidence in any numbers that we're looking at.
9 You know, we've raised this issue before when we get a
10 report like this, and as Joe pointed out, you add up
11 that column, it doesn't come close. Yet these are the
12 numbers we're supposed to be basing the decision on
13 raising fees to an industry that is in dire straits.
14 People are struggling to make ends meet, whether it's
15 installers, dealers, manufacturers. Every one of us is
16 in that same boat. And we're looking at saying, "Well,
17 you know what? Things are tough all over, so we're
18 going to increase your fees based on numbers that may or
19 may not be right.

20 MR. BAIRD: Well, my big question is which number
21 is right.

22 MR. HANEY: I don't know.

23 MR. BAIRD: Is it the 656, or is that other
24 column right? If it's the other column, umm.

25 MS. BLAKE: Well, what I can offer to you is that

1 the expense and revenue report, the year to date
2 revenue, expenditures, and estimated revenue and
3 expenditures comes from an independent agency, Central
4 Service Bureau, that we contract with to give us
5 accurate reports of the cash flow.

6 So if there's a discrepancy between the
7 columns that are adding up and internal staff and how
8 they're calculating them and reporting them, which
9 obviously you pointed out that there is, I would say
10 that your confidence level needs to be with the State's
11 Accounting Department, who's responsible for accurately
12 recording cash flow.

13 MR. BAIRD: Very good.

14 CHAIRMAN WAIT: Let me ask you a question. That
15 756,000 number, is that a number you developed, Debra?

16 MS. BLAKE: No.

17 CHAIRMAN WAIT: They did?

18 MS. BLAKE: Yes.

19 CHAIRMAN WAIT: And so then that other number,
20 that 800 and whatever it was, March report --

21 MS. BLAKE: March report? On page 10?

22 CHAIRMAN WAIT: If fumble fingers can get there.
23 Yeah. So that 862, is that another number they've come
24 up with?

25 MS. BLAKE: Yes. That expense and revenue row,

1 that whole row all the way across, with the exception of
2 the 95-105 percentage that I calculate comes from
3 Central Service Bureau --

4 CHAIRMAN WAIT: Okay.

5 MS. BLAKE: -- as reported to us monthly.

6 CHAIRMAN WAIT: So I guess, you know, here's
7 the -- where you get the Ouija Board out. You've got --
8 the first number is, like, seven months worth. I'm
9 saying it's an average for me. Here are the actual
10 seven months that have occurred, and someone's made a
11 calculation saying, "This is what we anticipate for the
12 year."

13 MS. BLAKE: Yes.

14 CHAIRMAN WAIT: And then we've got this other
15 number on page 10 that says, well, we've gone through
16 nine months now, and now that number is estimated to be
17 862. But that could be a skewed number because you
18 wrote out, going back to my example, 120 grand for
19 rent --

20 MS. BLAKE: Right.

21 CHAIRMAN WAIT: -- for six months, so that skews
22 it because the following three months are nothing in it.
23 You know, so the hard part is what is going to be our
24 true expense to this year? Do you know what it was in
25 reality for fiscal 2009? Do we know what that number

1 was for a whole year, 2009?

2 MS. BLAKE: Yes.

3 CHAIRMAN WAIT: The actual number? Do you
4 know offhand?

5 MS. BLAKE: I don't have it here with me, but
6 yes. But, again, it came from --

7 CHAIRMAN WAIT: No. I understand.

8 MS. BLAKE: -- Central Service Bureau.

9 CHAIRMAN WAIT: I understand. But what was it
10 then? Was that number even close to this 756? Because
11 there is a whole year average. I mean, there's a whole
12 actual year. You know, the hard part is you did a bunch
13 of trimming and cutting and things, too, so that
14 probably skewed that number.

15 MR. PALMA: Well, the problem there is you had
16 last year and -- well, there was a change in the agency,
17 and the financials were being handled by certain
18 individuals that did it the wrong way. Then it was
19 turned over to Central Services. And that's why fiscal
20 year 9, I think, is -- there's some -- there's got to be
21 inherent issues with that.

22 CHAIRMAN WAIT: Yeah. That's right. There has
23 to be. No doubt.

24 MR. PALMA: So that's where I think, you know,
25 even going by fiscal year 09 is relatively almost

1 useless.

2 CHAIRMAN WAIT: I'd agree with that comment now
3 that I think about it.

4 MR. PALMA: Best we can do is --

5 CHAIRMAN WAIT: So will the real number please
6 stand up so we could be either 95 or 105 percent of
7 that. That's really what Roger said a few minutes ago
8 -- or Neal. That's the challenge.

9 MS. BLAKE: Uh-huh.

10 CHAIRMAN WAIT: If we knew that number, it would
11 be relatively easy. Then we could say, "Well, we've got
12 a good chance that that will be the number next year.
13 How do we even know whatever that number -- if it's an
14 unknown number, then is that really going to be the
15 number for 2011?

16 MR. BAIRD: Excuse me, Mr. Chairman.

17 CHAIRMAN WAIT: Yes.

18 MR. BAIRD: Doesn't the Board have to rely on
19 staff for the numbers that they present to us? If
20 that's the case, then if we rely on that number, then we
21 meet our fiduciary requirements, which is a 95-105
22 percent. Then we can react accordingly to that number.

23 CHAIRMAN WAIT: Well, I believe what we should
24 do -- and I agree with you, Sam. I think what we should
25 do is, quote, look at that number, the specific number

1 we're looking at, the 756. I think we need to operate
2 around it. Then as the year goes on and as we move
3 along, we have the opportunity to tweak it in some
4 fashion once we get some additional numbers in.

5 So then the questions are that -- and I
6 agree wholeheartedly. The whole industry is, you know,
7 struggling right now. People that are still there right
8 now are survivors. You know, doubly survivors.

9 But then again, if you come to, like, page
10 17, just to pick a number, well, take me. You know,
11 take a D-12 license, which is 840 now. And if you went
12 for an increase of 15 percent, it's 940. So is 100
13 bucks going to kill me? You know?

14 Or let's go to Roger, I-10G, 720 now is
15 going to 806, which is about 86 bucks. I mean, I'm just
16 throwing that question out. I'm trying to put it down
17 now on a smaller perspective. Does anybody want to pay
18 more? No. But, you know, it's our job to make this
19 decision.

20 MR. DeSANCTIS: Mr. Chairman, do we have a date
21 on -- I don't recall what -- where these fees were at
22 over the last eight -- seven, eight years.

23 CHAIRMAN WAIT: I can tell you this. We've
24 yo-yoed up and down. There was one year we could have
25 cut to zero. We could have. We had enough income

1 coming in from various sources as far as licensing that
2 we could have cut it for zero. We didn't, but we cut
3 it, big number. I don't remember what it was. That's
4 been quite a bit of years ago, Roger. Probably eight,
5 ten years ago, in that range? Literally could have cut
6 to it zero. I think we cut it 50 percent, if my memory
7 serves me.

8 But I don't think we have any other choice,
9 ladies and gentlemen. I think we need to use that 756
10 number, as distasteful as that might be, because that's
11 the only number we have. Then make some basic decisions
12 based on that. Then as time goes along, we get these
13 numbers, we could always tweak it up or down. Again,
14 that brings other issues like Roger says. So you tweak
15 it midyear, 2011, are you really tweaking it much?

16 MS. MCGILVERY: May I ask --

17 CHAIRMAN WAIT: Yes, Neal.

18 MR. HANEY: One thing to bear in mind, certainly,
19 you look at a D-8 going from 540 to 600, hundred bucks,
20 and you look at the amount of revenue that we take in
21 from dealers and salespeople, you're not increasing them
22 a lot. But there's an awful lot of dealers out there
23 looking at those number who have dealers licenses simply
24 because they've had them. It's cheaper to keep them
25 than it is to do the process all over again if they want

1 to.

2 CHAIRMAN WAIT: You're talking about me?

3 MR. HANEY: At some point they're going to reach
4 a point where they're going, "You know what? I'm not
5 going to renew it." And so for every four that renew
6 and one that doesn't, you're at net zero.

7 CHAIRMAN WAIT: Exactly.

8 MR. HANEY: Won't cost any -- won't save us any
9 money in expenses.

10 CHAIRMAN WAIT: Again, that's something you need
11 to get a Ouija Board out for. It's a very viable
12 comment. Because I myself sitting here five minutes ago
13 was thinking that same thing. You know, do I put a
14 grand up just to keep it, in essence?

15 MR. HANEY: Basically, that's what you're looking
16 at.

17 CHAIRMAN WAIT: Because you've got the bond to go
18 with it. So it's more than a grand. It's a couple
19 grand, getting close.

20 MR. HANEY: You're no spring chicken anymore.
21 One of these days, you're going to say I've had it.

22 MS. BLAKE: Mr. Chairman.

23 CHAIRMAN WAIT: Sorry. Catherine.

24 MS. MCGILVERY: Mr. Chairman, if you issue the
25 licenses and do the fee increases, how can you tweak a

1 license if it's for a year?

2 CHAIRMAN WAIT: You can't.

3 MS. MCGILVERY: So how are you going to tweak it
4 the next year?

5 MR. WENDT: May I respond, Ross?

6 CHAIRMAN WAIT: Sure.

7 MR. WENDT: If I'm understanding all of our
8 options, the only reason we set our license fee once per
9 year, we have to do it fairly quickly because we'll
10 start the fiscal July 1. And then license renewals are
11 throughout the year. I think mine's in February or
12 whatever. There are license renewals. So you can't
13 change that during the year.

14 MS. MCGILVERY: Right.

15 MR. BAIRD: It's not fair.

16 MR. WENDT: Permit fees, the \$120 we currently
17 charge for an installation of a manufactured home, we
18 could move that. So we'd have some options during the
19 year to move it slightly, Catherine.

20 MS. MCGILVERY: I see. So permits would be the
21 only things that could be tweaked, really.

22 MS. BLAKE: Well, permits, insignias, plan
23 reviews.

24 MS. MCGILVERY: Things that are one time.

25 CHAIRMAN WAIT: Well, they're ongoing. But going

1 back over what Roger said, you know, I may make up a
2 number, a brand that would be 12 and then halfway
3 through the year, cut it back to 900. Then I'm going,
4 well, "Why did I have to pay \$100 more than someone
5 else?" You know? But, I mean, the world's never meant
6 to be fair. So it can be done, but --

7 MS. MCGILVERY: I have another question, Mr.
8 Chairman.

9 CHAIRMAN WAIT: I'm sorry. You're hidden behind
10 Paul. You're on the wrong side of the Paul. You need
11 to put that hand out here. Do it like this. You're
12 behind Paul's head.

13 MS. MCGILVERY: When -- I'd like to back up to
14 the situation where you remit figures to a company, and
15 they come up with your totals and your bookkeeping.

16 MS. BLAKE: Well, we don't really -- it's called
17 Central Service Bureau. It's a State agency. We don't
18 remit anything to them. All of our revenue gets
19 deposited into the General Fund, and it's coded by
20 accounting codes that apply to OMH, for instance. And
21 so they -- and then all expenditures that we make are
22 reviewed here and signed off on telling them to go ahead
23 and pay it, and it's also coded by which of those
24 expenditure accounts to take it out of.

25 So we don't give them any figures. We just

1 give them deposits to make, and we give them bills to
2 pay. And so then they track that through the State's
3 accounting system and extract these numbers and then
4 give them to us at the end of every month. Does that
5 answer your question?

6 MS. MCGILVERY: Yes. It's not like a company
7 that does your utility bill and you do the readings and
8 they do the figuring.

9 MS. BLAKE: No. We just make deposits. In fact,
10 they come over here and pick them up from us, make the
11 deposits, and then we -- they also pick up bills that
12 we've authorized for payment.

13 CHAIRMAN WAIT: All right. Well, I think we need
14 to keep this thing moving forward. Again, I'll go back
15 and make the comment. I think what we need to do, it's
16 certainly our legal as well as fiduciary responsibility
17 to keep it between 95 and 105. I don't think we have
18 any other choice at this stage other than to deal with
19 the \$756,000 number.

20 I think we need to -- this is my opinion.
21 I think we need to get it as close to 100 percent as we
22 can, whether that's eight or nine or ten percent. My
23 suggestion is to try to get it, because of the economic
24 times and what's going on, I think it's important for us
25 to show that we're trying to make this agency

1 self-supporting.

2 I personally would not want to be in this
3 industry without someone who fulfills the same functions
4 that OMH does, and we need it. I think it's a statement
5 we need to make. So those are my comments on that to
6 try to keep this thing moving forward and address this
7 issue.

8 Well, I've opened I it up for conversation.
9 It went mighty quiet.

10 MR. BAIRD: I don't know if I agree, Mr.
11 Chairman.

12 CHAIRMAN WAIT: That's fine.

13 MR. BAIRD: I don't know if I agree with the 100
14 percent. Keeping us above 95 percent is probably
15 appropriate in my mind. If we go anywhere beyond that,
16 because the numbers are just so questionable, I just --
17 I don't know if we need to do that. We are in uncertain
18 times economically. Some numbers here we're
19 questioning. We do need we do -- we have our
20 responsibility. But we can meet that with the five
21 percent. So that's my thoughts.

22 CHAIRMAN WAIT: And, again, you need 95 percent
23 appropriations. No question.

24 MR. PALMA: Mr. Baird, could you clarify what you
25 mean by -- what numbers you're referring to?

1 MR. BAIRD: Just the numbers we talked about as
2 Mr. Haney addressed earlier. The columns don't add up
3 to 756. Not only that, but is the three percent
4 accurate. Not only that, we've heard that if the one
5 percent doesn't pass in two weeks, our whole decision
6 could be up in the air. We don't know where we're
7 coming from. We don't know what we're going to be
8 dealing with. We don't know what agency we're going to
9 be, if we're even going to be an agency. That's where I
10 was coming from, just in general.

11 MR. PALMA: Well, I just wanted to clarify it.
12 Because whatever happens has no bearing on -- because
13 the statutory requirement is what it is whether the
14 agency is on its own or -- I mean the unit is on its own
15 or part of another agency. So that should not factor
16 into the decision whatsoever. The expenses have to be
17 95 percent. The fees will have to -- the revenue has to
18 be 95 percent to 105 percent. Regardless if it's a
19 stand-alone or part of another agency. So that should
20 not factor in.

21 What I just wanted to clarify, just for
22 future reference so we can work on the numbers, is are
23 you uncomfortable with the 756 conjecture that Debra
24 came up with?

25 MR. BAIRD: Well, just the fact that it's

1 conjecture is what I was uncomfortable with.

2 MR. PALMA: What do you suggest that -- I mean,
3 there's no other way to come up with that figure other
4 than conjecture.

5 MR. BAIRD: Well, I'm okay with that figure, 756.
6 I just don't know why we have to go to 100 percent
7 rather than 95 percent.

8 MR. PALMA: I just want to make sure that --
9 because what I want to do is make sure we get you the
10 information. That's our job. I'd like for this year to
11 date figure -- I want to make sure to clarify that. If
12 there was another figure you were uncomfortable with, I
13 want to make sure we clarify it.

14 MR. BAIRD: It's the fact that it's just not
15 certain. We just don't know. There's too many
16 variables that come into play. It's a guess.

17 MR. PALMA: Right.

18 MR. WENDT: Roger, Mr. Palma is in January
19 reporting estimated annual expenditures of 756. In
20 February, it's a larger number. In March, it's a larger
21 number even than that. So the most current one we have
22 is actually -- where is that number? -- 862. Why
23 wouldn't we pick that number instead of 856? Because we
24 had a big insurance payment that month. I'm
25 uncomfortable voting for any kind of a fee increase

1 based on the information I've got. I don't think we
2 know what we're going to spend next year --

3 MS. BLAKE: Mr. Chairman.

4 MR. WENDT: -- until we have some kind of control
5 over our expenses.

6 MS. BLAKE: Mr. Chairman and Board members, the
7 only thing I would point you to as you consider this
8 again is, if you look at the March report that's being
9 referenced in the \$862,000, the other point that's
10 important for you to look at there is, based on that
11 estimated annual expenditure, that drops our '95-105
12 percent status down to 79.9 percent.

13 Again, we talked about that number may be
14 slightly inflated for that month because of the big
15 payout, and maybe it will level out through rest of the
16 fiscal year.

17 But as you're considering fees, again, I
18 used January as the baseline. Had I used March as the
19 baseline -- and I didn't have those figures -- numbers
20 at that time to use it for a baseline -- you would be
21 looking at a much more significant fee increase because
22 we're only operating at 79.9 percent.

23 So, again, as Mr. Baird pointed out, there
24 are so many variables that we don't even know added to
25 the ones we know. These are the best numbers we know to

1 provide you. And I don't know what to say beyond that
2 except that if you decide and you vote based on, you
3 know, Mr. Baird's suggestion or his comments and we
4 raise it five percent fee increase plus the three
5 percent growth, you are not going to meet 95 percent if
6 March is a better representation of where you're on
7 target for.

8 CHAIRMAN WAIT: Well, see, you just confirmed
9 everything being said around here. Will the real number
10 please stand up.

11 MS. BLAKE: Exactly. And I'm just reporting the
12 numbers as we get them. I'm just --

13 CHAIRMAN WAIT: No. I understand.

14 MS. BLAKE: -- saying if you report, if you make
15 that decision, when we look at this again in three
16 months or on what frequency you decide, chances are, if
17 March's numbers are the most accurate, you're not going
18 to be hitting 95 percent, which is what the Board is
19 tasked with doing.

20 CHAIRMAN WAIT: I understand.

21 MR. BAIRD: Mr. Chairman, I don't think any
22 number on here is going to correct 18 percent. It
23 wouldn't get us to --

24 CHAIRMAN WAIT: No, it wouldn't. I agree. If
25 that number is correct. Well, we have to deal with what

1 we have, I guess, and make a decision, right, wrong, or
2 indifferent. Haven't heard much from you, Joe. So I'd
3 like for your comments. I'd like to go around the table
4 and get everybody's comments. We need to get around the
5 table and see which direction we're getting so we can
6 move forward.

7 MR. STEGMAYER: Well, Mr. Chairman, members, I
8 would say that most of the comments made, I agree with.
9 We -- in addition to not knowing the numbers, we also
10 don't know, as has been pointed out, what expenditures
11 could be modified somewhat, could be trimmed in a more
12 difficult environment.

13 We also don't know about the growth. The
14 growth could be more than three percent, if we're
15 fortunate, for this coming fiscal year. And a lot of
16 variables. Obviously, there's the financing bill,
17 consumers, if the economy gets better, consumer
18 confidence gets greater, if people sell existing homes
19 to buy manufactured homes in the community. A lot of
20 factors we can't possibly weigh. I think it probably is
21 best, and especially since the way you explained it, we
22 have the opportunity to change these, adjust these fees
23 later.

24 MS. BLAKE: Yes.

25 MR. STEGMAYER: And why not take Mr. Baird's

1 approach and go with the five percent increase now and
2 look at adjusting it later if we need to.

3 Because, again, not to state the obvious,
4 but we all know that, given the economy, all the people
5 involved in this industry are hurting, too, and there
6 have been massive layoffs. And so no one's making
7 money, I don't think, or very few people are making any
8 money in the free enterprise system right now. I know
9 we're not. So it's a difficult -- difficult
10 environment, to say the least.

11 And so to add more cost, as modest as that
12 might seem, is still a burden. I mean, we're looking at
13 everything in our company, as modest as the expenditure
14 cuts might seem. I'm looking at how many Fed Ex, how
15 much postage we use, how much time people are spending
16 on the phone, whether we provide cell phones, if we
17 should provide a different method. So you look at every
18 single thing you didn't look at at times when we were
19 prosperous.

20 And I'm sure you'll all say the same. So I
21 don't mean to state the obvious, but I think those are
22 things that need to continue to be looked at.

23 CHAIRMAN WAIT: Neal.

24 MR. HANEY: I just -- you've heard most of my
25 comments before, but there is one more thing that I'd

1 like to maybe get some clarification on just to give
2 myself some peace of mind.

3 I know through the Department of Fire,
4 Building and Life Safety, there are other functions that
5 they do that are not directly related to the manufacture
6 or inspection of manufactured housing. For instance,
7 they administer the hearing officer function. And I
8 guess what my question would be is are any of those
9 costs involved in any of this budget?

10 MS. BLAKE: Yes.

11 MR. HANEY: Okay. So there are those costs that
12 are involved in this budget. My understanding, as I
13 recall, is that there is also some funds being taken
14 from the relocation fund to help cover some of those
15 costs. Is that taken into account in the proposed
16 revenue side of it?

17 MS. BLAKE: Yes. The portions of salary and
18 other funds that are directly related to OMH that we
19 depend on or use the relocation fund for have been
20 backed out of the relocation fund and included in our
21 OMH expenditures so that we could provide for you the
22 best picture of, you know, should we be self-supporting.

23 MR. HANEY: So the total expenses, including
24 those things, are included in the expenditures that are
25 in these reports?

1 MS. BLAKE: Correct.

2 MR. HANEY: But some of those expenses are being
3 covered by withdrawals from the relocation fund.

4 MS. BLAKE: Correct.

5 MR. HANEY: So should they not be -- when we
6 consider what we need to raise as revenue, should that
7 not be considered as part of what we need to come up
8 with? Because the net that we have to come up with, if
9 we use the 756,000, a portion of that is being our cost
10 associated with the administrative law judge and those
11 types of things, and they are being covered by part of
12 the funds that are being moved over from the relocation
13 fund.

14 MS. BLAKE: Yes.

15 MR. HANEY: So the real number isn't 756. The
16 net is something less than that.

17 MS. BLAKE: Well, the real number, we believe, is
18 the 756. Assuming that --

19 MR. HANEY: Okay. But then on the revenue side,
20 we have to include the money that's been taken out of
21 the relocation fund. Is that not correct?

22 MS. BLAKE: It's not revenue, though. I mean,
23 that fund exists today. And statutorily, we've been
24 able to use it to help offset hearing costs, costs of
25 inspection, and so on and so forth.

1 If I didn't report that number as part of
2 expenditures, then that flips this whole chart around.
3 Because we're not truly counting it as an expenditure,
4 which it is. And then we're currently operating at a
5 proration of about 115 percent. But I don't know that
6 we should depend on that money from that fund source.

7 MR. HANEY: All right. I understand what you're
8 saying. It's just not making sense to me that we as a
9 Board are being asked to raise fees to cover expenses
10 that are already being covered by another fund.

11 MS. BLAKE: I think that where we were coming
12 from, where I was coming from on this, if we're assuming
13 that we have to make decisions based on OMH being a
14 totally self-supporting without additional support from
15 funds like the relocation, so on and so forth, what does
16 it actually take to operate revenue and expenses, OMH as
17 a -- as Mr. Chairman says, as a stand-alone
18 self-supporting. And that's why these figures are
19 represented in this way.

20 CHAIRMAN WAIT: More questions, Neal?

21 MR. HANEY: My mama said if you can't say
22 something nice, shut up.

23 CHAIRMAN WAIT: Carlo.

24 MR. LEONE: Yeah, I'm listening here. You have
25 some great comments coming through here. And, you know,

1 I'm hearing all these different kind of percentages, 100
2 percent, 95, five percent. I'm a little confused myself
3 on this.

4 Let me ask you a question. Can you carry
5 this over until we get better figures, or is this -- no?

6 CHAIRMAN WAIT: May 15. Today is the 12th.

7 MR. LEONE: Okay. I want to be sure.

8 MR. HANEY: This is carried over from the last
9 time.

10 MR. LEONE: Was it? I wasn't here last time.
11 All I can say is we got all different kind of figures
12 here. I really am a little confused on it, so I don't
13 know. Maybe we can go with what Joe says, with five
14 percent.

15 CHAIRMAN WAIT: Sam? I know you've already
16 stated five percent. Anything else to add? I know you
17 have a lot to add, but that you choose to add.

18 MR. BAIRD: No. I think you all know where I
19 stand.

20 CHAIRMAN WAIT: Paul. You've been mighty quiet.

21 MR. DeSANCTIS: Again, you have good comments out
22 there. I wish I had chicken bones or something at this
23 point to throw.

24 CHAIRMAN WAIT: Be just as accurate.

25 MR. DeSANCTIS: I'd love to think that things are

1 going to turn for the better production-wise. Because
2 that's what everybody needs. We wouldn't be in this
3 dilemma. But it doesn't sound like it. But some of the
4 comments Mr. Stegmayer made and Mr. Haney, I really
5 licensed to those. I wish with had a pie chart.

6 I might recommend that is it possible -- we
7 don't really have time to come up with a way to raise
8 some of the fees a certain percent and some nominally or
9 not at all, specifically talking about the licensing.
10 And I don't like it, but at least it cash flows better
11 with a business I run, too. And we're not doing very
12 well. But, boy, when the money comes in, thank gosh, it
13 goes right out the door, but at least on keeping things
14 going. If it's a great month, you know, sock away.

15 So is there a way to look at fees that are
16 more bearable and raise those fees more significantly,
17 but lower when you considered that a transaction that's
18 under way or being done is going to generate revenue as
19 opposed to, say, raising it on licensee fees.

20 Because I agree there's that point where
21 you open up that letter, you haven't been, producing and
22 the money's not coming in, at that point where you say,
23 "I'm in," throw in the towel, and the whole thing runs
24 backwards.

25 MS. BLAKE: Yes. In answer to your question, we

1 did look at some of those things. We haven't got past
2 page 16 yet. But in some of these other charts, you
3 would see that -- for example -- let me get to one.

4 For example, on page 22. One of the things
5 that we looked at adjusting -- as much as possible, we
6 kept it consistently across the Board. But if you look
7 at the top of page 22 under the Permit Fees section, and
8 if you look at Installation Permits, you'll see that
9 this is the 10 percent increase, which is seven percent
10 increase plus three percent growth, which takes a permit
11 from \$120 to 132.

12 If you look down a couple lines, you will
13 see that installation permits for commercial
14 factory-built buildings, because the industry is
15 supporting a more significant increase and has told us
16 so, we're increasing theirs 15 percent.

17 Again, Mobile Home Relocation --
18 Rehabilitation Permit, because we're talking about
19 usually a very depressed economic population, currently,
20 we're charging \$100 for that permit. We're saying let's
21 not charge them anything -- or I mean let's charge them
22 a 50 percent reduction, 50 bucks. So we did include
23 some variables in there.

24 Parts of the licensing base that we have
25 that is willing to absorb more of that cost, we assessed

1 it. And you'll remember our discussion is that a big
2 source of revenue is the FBB permits, significant
3 source. So we're raising that significantly more. And
4 we've had talks with them, and they're accepting of
5 that.

6 So, yes, we did apply some different
7 methodology, depending on the different type of revenue
8 source, and yet tried to be consistent at the same time.

9 MR. DeSANCTIS: Okay. And I did see that. But I
10 don't know if that was clear. I did look over all these
11 reports. And more specifically, if you look at page 17
12 and looking at, you know, New Licenses and Renewals.

13 MS. BLAKE: Yes.

14 MR. DeSANCTIS: That if we left that alone and
15 actually chose to take some of these other items as far
16 as current and, say, plan review and opt to raise that,
17 say, by 50, with our lack of information, my gut feeling
18 says we go to a 12 percent increase. And the reason why
19 is I'd rather not have a succession of blows to the
20 industry members. I mean, I hear, Sam, what you're
21 saying with the five percent, but only if we're on the
22 mark. I'd rather not be here again in a short while
23 jumping this.

24 CHAIRMAN WAIT: Do you have a comment, Scott?
25 Anything you'd like to remark on maybe what he was

1 saying?

2 MR. BUTLER: Mr. Chairman, Scott Butler
3 representing the Arizona Housing Association. And I
4 wanted to make two observations and maybe one suggestion
5 sort of to the point that Paul's raised and other people
6 have as well.

7 The first one is, at least historically
8 over the years when the Board has set fees, it isn't an
9 across-the-board we're going to do three percent of all
10 fees. Typically, it is, in fact, a schedule based on
11 the type of permit, type of license, etcetera, where the
12 Board is going to actually approve an increase from \$100
13 to \$105 for that particular category.

14 And I think that's really the heart of what
15 Paul's talking about, and other people are as well, is
16 if it doesn't make sense, if licensing is flat as an
17 activity and expenses don't go up and revenues don't go
18 up, it doesn't make sense to be raising the licensing
19 fees. All that is is imposing a burden where there's no
20 additional expense being incurred by the agency. So,
21 historically, I know going back into the '90's and
22 certainly the early part of this decade, the -- what
23 would be presented.

24 The second part of that, though, is that
25 normally with a public entity, particularly when you're

1 looking at a statutory requirement like the 95-105, what
2 the agency would normally give you is their proposed
3 budget for fiscal year 2011. And that's the -- that's
4 what you're going to look at for purposes of making a
5 determination, not what the actual cash flow has been in
6 some previous month. Because the whole point is you
7 want to know based on what they're doing whether certain
8 items are going to go up, down, whatever it may be. But
9 then at least you have a total budget. You vote the
10 fees based on that. If a third of the way through the
11 year or halfway through the year, the budget as proposed
12 has changed, then you adjust those fee categories at
13 that time based on the changes in the budget.

14 So from the perspective here, I guess if --
15 from -- if I were to offer a suggestion, the suggestion
16 would be do a modest percentage increase in the
17 non-license fees, ask the department as of your next
18 meeting, which will be after the beginning of the fiscal
19 year, to give you a budget for what they actually plan
20 to have for the next fiscal year, and then you're in a
21 position to make an adjustment on that.

22 But at least then you've done a modest fee
23 increase on those fees that at least are easily
24 adjustable. And if you have to go higher, you have to
25 go higher. But at least you're not caught in the

1 scenario where people are talking about where a fee has
2 gone up higher than it should have.

3 I think that's also important with respect
4 to the fact that some of this is a HUD-mandated program;
5 some of it isn't. And you'd really like to be able to
6 see what is and what isn't from the perspective of which
7 things cost money and which things don't.

8 So recognizing that the Board has to take
9 some action today that at least makes it look like
10 you're trying to address the 95 to 105 percent, the
11 suggestion would be to do something relatively modest on
12 non-license type fees and then get an actual budget. I
13 think it's important to have the actual cash flow
14 numbers, but the problem is if you know that the total
15 rent for the year is \$50,000, you ought to be able to
16 build a budget off of that. It doesn't really matter
17 when it's paid. The same thing with most of the other
18 expenses.

19 And that certainly would be helpful, I
20 think, to allow some latitude to the agency. Their
21 budget has been absolutely fluctuating constantly with
22 the legislature over the last two years. So it is hard,
23 I think, for them to do a budget probably until the
24 beginning of the fiscal year in July when they have a
25 chance to look at real numbers and so on. So that, to

1 be fair to them, you want to give them enough time to do
2 that. But that would certainly be one option. Thank
3 you.

4 CHAIRMAN WAIT: Thank you very much for your
5 thoughts.

6 Any additional, Paul?

7 MR. DeSANCTIS: No.

8 CHAIRMAN WAIT: Catherine?

9 MS. McGILVERY: Well, one of my questions, Paul
10 already brought up. Does it have to be across the board
11 for everybody, or can there be different increases and
12 some maybe no increases at all. Because I remember a
13 couple of year back when we did this that not all of
14 them got increases.

15 CHAIRMAN WAIT: We did that. Correct.

16 MS. McGILVERY: And maybe that might be. And I
17 also agree that we should keep it the 95 percent if we
18 are going to do it. So it's the five percent. Keep it
19 as low as possible until we can get some -- see what
20 happens.

21 CHAIRMAN WAIT: Okay. Well, I guess we have all
22 the thoughts out on the table. So now I guess we need
23 to make some basic decisions. But I will tell you that
24 the one thing I've heard clearly around the table is a
25 lower number, as Sam suggested, probably somewhere in

1 that five percent figure.

2 Then to take it to the next level described
3 by Paul as well as Scott and Catherine, is should we
4 make that focus on other than, quote -- you know, rather
5 than being all across the board, should we make our
6 focus elsewhere if that five percent increase is what
7 we're going to look at.

8 MR. DeSANCTIS: And Mr. Chair, that's what I was
9 saying. Maybe that -- again, we don't have a pie chart.
10 But that would be the key. Because if we take out the
11 licensing activity --

12 CHAIRMAN WAIT: Yeah, it is.

13 MR. DeSANCTIS: -- if we look at, say, the 12, 15
14 percent, say, permits, will that get us to where this
15 figure is on page 16.

16 CHAIRMAN WAIT: Uh-huh.

17 MR. DeSANCTIS: You know what I'm saying? To
18 reach the 95. Because if we go with just part of the
19 fee structure and raise it by five, we're not going to
20 come close --

21 MS. BLAKE: Right.

22 MR. DeSANCTIS: -- for sure. And I don't think
23 there's enough good news coming out industry-wide to
24 make a judgment that something is going to dramatically
25 change.

1 CHAIRMAN WAIT: So is there anyone here who's
2 brave enough to make a motion?

3 MR. BAIRD: Brave?

4 MR. WENDT: Mr. Chairman?

5 CHAIRMAN WAIT: Roger.

6 MR. WENDT: I'm not brave enough yet. But do we
7 know enough about -- as an example, permit fees, if we
8 would agree to double all the permit fees, how much
9 revenue is that going to raise?

10 MR. DeSANCTIS: That's what I was saying.

11 MR. WENDT: We don't have enough data to pick and
12 choose intelligently at this point, in my opinion.

13 MR. DeSANCTIS: Well, we have to look that way,
14 Roger.

15 MR. WENDT: I've never done that.

16 MR. DeSANCTIS: I would make a motion to raise
17 other than licensing new and renewal by the -- well, the
18 12 percent in the column. I'm looking at the numbers.
19 The increase is here, and I don't see that as being so
20 onerous, given that's at least coming with revenue
21 coming in. That's a shot in the dark, I know.

22 MR. HANEY: Just to help you out with that, and I
23 know somewhere these numbers are wrong. But look at the
24 year to date numbers, they're almost split evenly, half
25 of it coming in from fees and half it coming in from

1 licensing based on the numbers that are here.

2 MR. BAIRD: Right.

3 MR. HANEY: So if we're looking at doing a five
4 percent increase across the Board, if we did a 10
5 percent increase in fees rather than licensing, we'd
6 have generally the basic same effect.

7 MR. DeSANCTIS: Okay. Gives us some idea.

8 CHAIRMAN WAIT: Quickly look at it. Good
9 thought.

10 MR. DeSANCTIS: So that would equate to a 10
11 percent?

12 MR. HANEY: Yeah. Whatever.

13 MR. DeSANCTIS: Essentially 10 percent.

14 CHAIRMAN WAIT: Well, could we craft -- I mean,
15 what we're trying to make up is about \$76,000 roughly?

16 MR. DeSANCTIS: Right.

17 CHAIRMAN WAIT: Go from the 674 estimated to the
18 756 that is the number we're dealing with. And could
19 there be a motion that that's what we want to do, but we
20 want the overall increase to be the -- to get us up here
21 to this five percent. So the five percent differential
22 is more like a \$46,000 number or something.

23 MR. DeSANCTIS: My idea was just to -- for
24 whether it's a manufacturing entity or retailer, to load
25 this in a different way so the net would come out the

1 same. They wouldn't pay -- they're not here around us,
2 but they wouldn't pay what they would pay in renewal, or
3 these fees would be made up elsewhere but with cash flow
4 better.

5 MR. BAIRD: Mr. Chairman.

6 CHAIRMAN WAIT: Yes.

7 MR. BAIRD: I think what I heard Mr. Palma
8 saying, or I'm pretty sure he's saying, was that he
9 thinks the Board should pass some type of increase so we
10 can show that we're trying to meet the 95 percent. But
11 he also said that until we know what the actual budget
12 is, we should make that a nominal amount. And both of
13 those made a lot of sense to me.

14 He didn't say how confident he was in the
15 756, because it's based upon cash flow. And it depends
16 on which month you look at, but a budget would be a
17 budget. We all know what budgets are. We know what
18 expenses are. If you look at those, we might be able to
19 make a more accurate judgment after we had that. But in
20 the meantime, we could show that we are trying to meet a
21 certain level.

22 These permit fees, insignias, who bears the
23 costs of those? Well, it's the consumer. Of course,
24 they also bear the cost of license fees, but in a
25 different way. These are directly to customers. And we

1 need as many customers as we can get now. So I don't
2 know what I'm saying other than just saying I'm thinking
3 out loud.

4 CHAIRMAN WAIT: Well, and I also agree with your
5 comments as well as Scott's. I think we need to come up
6 with some sort of number that just buys us some time
7 until we can get to the September meeting, see the
8 actual budget for this coming year, and then decide if
9 we want to make a tweak. I think there could be a
10 consensus of that around the table.

11 So the question is do you do five across
12 the Board, punish everyone, or do you do 10 percent,
13 just using Neal's rough number of -- if we did 10
14 percent, let's say, on the permit side, permitting side
15 versus the other side, would that bring us up to this
16 95.7 percent? If that's the direction we're going, we
17 could say, you know, whether it came out 10.4 percent or
18 9.2 percent, we could give them the authority to find
19 out what that number is. I'm positive that Debra has
20 some actual numbers in that regard.

21 MS. BLAKE: Yes.

22 CHAIRMAN WAIT: It would just take her a little
23 while to do that calculation to make up, let's say, for
24 the five percent overall. That's about -- what did I
25 say? -- 46,000 or whatever it is. And so if it took her

1 11 percent or 9 percent on the permit side, we could
2 give them that authority to do that if that's the
3 direction we're going. But no one's brave enough to
4 make a motion yet. So --

5 MR. STEGMAYER: Maybe in interest of moving this
6 along before my son has to go to college -- he's only in
7 sixth grade -- I would submit a motion that we pass a
8 five percent fee increase at this time.

9 MR. BAIRD: I second the motion.

10 CHAIRMAN WAIT: And that's across the Board? Is
11 that what you're saying?

12 MR. STEGMAYER: Yes. As proposed here, yes.

13 CHAIRMAN WAIT: OKAY. So we have a first; we
14 have a second. Discussion, please. I think it's been
15 discussed to death, but -- no further discussion. All
16 those in favor, say "Aye."

17 (All save one responded "Aye.")

18 CHAIRMAN WAIT: Any opposed?

19 MR. WENDT: No.

20 CHAIRMAN WAIT: Okay. Motion carries. Well, I
21 guess it's not pretty, but we gave birth, huh?

22 All right. Next item. Recovery Fund.
23 Fund balance and pending plans updated?

24 MS. SOLIERE: There's a tab in your booklet for
25 Recovery Fund. And there's actually two spreadsheets

1 there. If we could look at Number 27 first. I've
2 broken this down into claims that are pending payment
3 and what priority they go in. Three claims that are
4 pending an ALJ decision and one claim that's still
5 waiting for a hearing.

6 You'll see that current balance as of May 4
7 is 33,071.69. The first claim that needs to be paid is
8 for 72,210. So that leaves us 39,138 short. We've
9 calculated that an estimate of 10,453 is going into the
10 fund each month. At that rate, it will take four months
11 for us to pay off that first claim. Once we pay it off,
12 we'll be back down to 2,673.

13 And I've gone along all of these in that
14 same way. At the end of the day, it's going to take
15 about 17 months to pay all of these claims.

16 MR. BAIRD: So it's, like, September of '11?

17 MS. SOLIERE: Yes.

18 Now, if you turn to the second spreadsheet,
19 Number 28, there is approximately \$75,000 that's
20 invested in the State Treasury right now. That brings
21 in about \$60 a month in interest.

22 MR. BAIRD: 60.

23 MS. SOLIERE: Yeah. \$60 a month. So you guys
24 have the choice of making the decision to divest that
25 money, bring it back to the fund, and we can use that to

1 pay off claims. So on this sheet, I've done the same
2 thing as the one before, only I'm using the number
3 106,315 as the starting point. So we would actually be
4 able to pay all these claims off in approximately 10
5 months.

6 MR. BAIRD: So February of '11. We could move up
7 seven months.

8 MS. SOLIERE: Right.

9 MR. BAIRD: But we lose \$60 times --

10 MR. BUTLER: 600 bucks.

11 CHAIRMAN WAIT: Roger.

12 MR. WENDT: Are there more claims expected to
13 come in?

14 MS. SOLIERE: There are some. The only one that
15 we've got scheduled for actual hearing right now,
16 there's only one. That will be in June. But I would
17 guess that there probably will be more. Although I
18 don't have an exact number.

19 MR. WENDT: Yeah. I'm just --

20 MS. SOLIERE: Yes.

21 MR. WENDT: -- anecdotal. But is the curve going
22 down, or is it coming up, or do we have a feel for it?

23 MS. SOLIERE: It seems like it's coming down, I
24 would say, just because there's only one scheduled right
25 now. In the past there have been a lot of them

1 scheduled at once waiting for hearing. It seems to be
2 slowing down a little bit.

3 MS. BLAKE: I can add to that that on your
4 financial report, page 11, it tracks complaints. So --

5 MR. BAIRD: What page?

6 MS. BLAKE: Page 11. Currently, we have 25 open,
7 active complaints. I don't know why I share that,
8 because I can't tell you what percentage of complaints
9 end up in Recovery Fund. It just depends.

10 MS. SOLIERE: It depends. It could be all of
11 them. It could be none of them.

12 MS. BLAKE: I would say the percentage typically
13 is low unless you have a situation like we had,
14 unfortunately, in the past with a particular dealer.
15 But it's a low number of complaints, which is lower than
16 it's been in many, many, many months.

17 So I know it's all relative because homes
18 aren't selling at the same rate they used to. But I
19 would say it would be a small percentage. You know, if
20 it's 10 percent, you know, we're looking at three
21 possible recovery claims.

22 MS. MCGILVERY: May I ask a question?

23 CHAIRMAN WAIT: Please, Catherine.

24 MS. MCGILVERY: Please refresh my memory of what
25 income goes into the Recovery Fund. What are the

1 sources of revenue for the Recovery Fund?

2 MS. SOLIERE: There's the cash bond interest,
3 which averaged last month at about \$400. There's \$30
4 per unit sold fees that are also deposited. And then
5 also there's a \$10 fee on license renewals right now
6 that's going in. So every time someone renews their
7 license, they submit an extra \$10 to you for the
8 Recovery Fund.

9 MS. MCGILVERY: That's in addition to their
10 license fee?

11 MS. SOLIERE: Yes.

12 MR. WENDT: Mr. Chairman?

13 CHAIRMAN WAIT: Yes.

14 MR. WENDT: I'd like to make a motion to divest
15 that money and pay some claims.

16 CHAIRMAN WAIT: Is there a second?

17 MR. HANEY: I'll second it.

18 CHAIRMAN WAIT: Okay. Any discussion? All those
19 in favor, say "Aye."

20 (All responded "Aye.")

21 CHAIRMAN WAIT: Motion carried. Okay. Thank
22 you. That was an easy one. Making up for all the heavy
23 time on fee structure.

24 MR. WENDT: Make time for the standards.

25 CHAIRMAN WAIT: Yeah. I agree.

1 Okay. Bonding requirement. Standing item.
2 I'm looking at a couple of pages in our final tab in our
3 booklet here. I'm just reading down through it.

4 MS. BLAKE: Mr. Chairman --

5 CHAIRMAN WAIT: Yes.

6 MS. BLAKE: -- and members, if I can interrupt
7 your reading, we have with us, as you know, Scott
8 Butler, Ken Anderson, and Dave Roe, who are prepared to
9 address this topic with you --

10 CHAIRMAN WAIT: Perfect.

11 MS. BLAKE: -- and answer any questions that you
12 have.

13 CHAIRMAN WAIT: Thank you.

14 MS. BLAKE: Welcome.

15 CHAIRMAN WAIT: Whoever would like to go first.

16 MR. BUTLER: Thank you, Mr. Chairman. Scott
17 Butler.

18 What we've submitted for the Board is a
19 Resolution relating to bonding. And if I may take just
20 a minute to do a little background discussion on that,
21 approximately a year ago, this Board was, I think,
22 seriously considering raising the bonding amount, which
23 is currently at \$25,000, to a significantly higher
24 amount.

25 And I think it's fair to say that there was

1 a lot of concern by everybody who's a licensee in the
2 industry about the economic consequences of doing that,
3 including concerns that some people simply would be
4 unbondable, not because of any action they'd taken, but
5 simply because their financial condition wasn't
6 sufficient to get a bond company to write a much larger
7 bond than \$25,000.

8 And at that time, we had indicated to the
9 Board that we thought it was a much better route to
10 start looking at third party escrows as a way to try to
11 cut off the very, very large claims that were being made
12 and also reduce the pressure to try to raise the bond
13 amount in order to cover those claims.

14 Now, as you know, in the past year the
15 Recovery Fund pretty much has been completely swept as a
16 result of claims coming in, many of which were very
17 large claims, and it was interesting that the current
18 report, you have a \$79,000 claim, which I'm assuming is
19 a whole house kind of a claim, because that's a very
20 large claim if it's something else. So that issue is
21 still there.

22 Secondly, we have a bill, House Bill 2473,
23 at the Legislature, which certainly was the
24 Association's preference, the primary reason being that
25 it would put everything in the statute, and, two, it

1 gave the Board of Manufactured Housing and the Office of
2 Manufactured Housing statutory authority to work on
3 rules, have a task force, and so on.

4 Because right now, there is no authority
5 for the Board or the Office to work on rules or anything
6 like that related to third party estimates. All we have
7 in the existing statute is the requirement that each
8 licensed dealer or broker must have a trust or escrow
9 account. But they control it, and there is no third
10 party requirement in there at all.

11 That bill, as reported on, passed the
12 House. It did not get voted on on the floor of the
13 Senate. I think from the Association's standpoint, the
14 legislative route is still our preference, and we're
15 certainly going to try to start that again in the next
16 legislative session. But it's going to be a brand new
17 legislature with quite a bit of turnover, so nobody
18 knows what's going to happen.

19 We therefore went back and said, well, is
20 there something that we can do in connection with the
21 bonding issue that would allow the Board to take some
22 action which in the future would create higher bond or
23 other ways of securing customers' earnest money and at
24 the same time still leave it open so that if the
25 legislature acts, the Board can then recede and work

1 with the legislature.

2 So what we put together for you is a
3 suggested Resolution. Now, the bond amount is in your
4 rules. So in order to change the bond amount, you do
5 have to go through rule-making. We confirmed that with
6 Debra. So this Resolution basically is designed for the
7 Board to direct the Office of Manufactured Housing to
8 start rule-making on this subject.

9 Basic concept we have in the Resolution is
10 that the bond amount would be increased to \$100,000 for
11 dealers and brokers as of a year from now, July 1 of
12 2011. But that any licensee who, through their trust
13 account and by having their trust account audited and
14 turning that audit in with their renewal, any licensee
15 that was using third party escrows for their new home
16 transactions and for the used home transactions at
17 50,000 and above would not have to -- they'd have a
18 waiver of that increased bond amount. So their bond
19 would stay at \$25,000, just what it is now.

20 Again, our goal here is to try to prevent
21 huge drastic problems for industry members, which is
22 what will happen if the bond amount goes up with nothing
23 else, and at the same time try to promote much better
24 safeguards for customers by using third party escrows.
25 I think we all recognize that the difficulty which you

1 just discussed on the Recovery Fund item is that the
2 Recovery Fund is not going to be available to pay any
3 kind of significant claims for the next 12 months other
4 than what you've got in the pipeline. That creates a
5 serious risk that people will start suing.

6 Our whole system that's been developed
7 through the Office of Manufactured Housing and through
8 the Board is designed to have adequate administrative
9 remedies for customers who are harmed by what a licensee
10 does. That's why we have the customer complaint
11 process. We have the consumer complaint process. We've
12 historically had the Recovery Fund. But without that
13 Recovery Fund, it is certainly conceivable that judges
14 will start saying this is no longer an adequate system
15 to protect the customer.

16 So our suggestion to you is to do something
17 like what we've put in the Resolution. Again, it
18 doesn't get anything immediate. Neither would the bill
19 that was running in the legislature. It wouldn't have
20 been effective until a year from now either. But at
21 least it gets some action in place to start trying to
22 protect customers' earnest money from further major
23 claims where there's no real remedy for them anymore in
24 the system.

25 And with that, I'd be happy to answer your

1 questions on the specifics that you have on be
2 Resolution. Again, the rule-making will take however
3 long it ill take assuming you direct the Office to start
4 doing that.

5 MR. HANEY: Mr. Butler, part of that or
6 accompanying that legislation was the establishment of a
7 small group to establish escrow requirements,
8 procedures, and things like that. And you -- did I hear
9 you correctly saying we can't do that without that
10 legislation?

11 MR. BUTLER: Certainly if you read the statute on
12 the Board's powers and duties, without the language that
13 was in 2473, there is nothing in that statute that
14 authorizes the Board of Manufactured Housing to adopt
15 rules relating to third party escrows.

16 MR. HANEY: So at this point if we were to
17 require them to use third party escrows, we still would
18 not have any guidelines?

19 MR. BUTLER: That's correct. The disadvantage --
20 I mean, let's be real candid. The disadvantage of doing
21 it through the bonding requirement is that each licensee
22 will be on their own to go out and find an escrow agent,
23 set up whatever arrangement they can with that escrow
24 agent.

25 That's why we said our preference was

1 clearly to do the bill, which allowed everybody to have
2 a single set of rules adopted by the Board. But, yeah,
3 you're absolutely correct. Under this approach and
4 given the Board's current authority under the statute,
5 the only thing you can do is say, "Here's a new bonding
6 amount, but if you meet certain conditions, you don't
7 have to pay the new bonding amount."

8 The difficulty, frankly, is that people are
9 going -- licensees are going to be on their own to set
10 up those third party escrows, and there really isn't
11 anything the Board can do. Now, I should say
12 declarations are licensed either by the Department of
13 Financial Institutions if they're bank or by the
14 Department of Insurance if they're title company or
15 escrow company. So they are licensed, and they do have
16 their own requirements that they have to follow. So
17 it's not like they're completely unregulated.

18 But the Board, without legislative
19 authority, doesn't have the power to impose rules on its
20 licensees as to what they can and can't do with those
21 escrow companies.

22 CHAIRMAN WAIT: But the reality, I believe,
23 Scott, is -- forget the angst for the moment, but
24 certainly if I owned an office down in Yuma Arizona,
25 every single one of them would love to have me bring

1 them our business. Because they're the real estate
2 industry, so to speak. So trying to negotiate or set
3 something up with them would be a cakewalk, in my
4 opinion.

5 MR. BUTLER: Yeah. Certainly in the course of
6 working at the legislature, we've talked to the
7 association for the title companies. They've expressed
8 a lot of interest and would have to set up models for
9 handling homeowner transactions where there's no land
10 involved since the current model is primarily a real
11 estate-based model. But nobody has indicated they have
12 a problem with doing that --

13 CHAIRMAN WAIT: Exactly.

14 MR. BUTLER: -- whatever it costs. Again, from
15 our perspective, the drawback or the advantage of the
16 legislation was that you were able to have task force
17 through the Office authorized by the legislature and
18 rule-making by the Board authorized by the legislature.
19 So you were able to go ahead and make sure that people
20 weren't doing fun and games that try to circumvent the
21 system.

22 So, admittedly, this is not as good. And
23 as I said, we certainly intend to go back to the
24 legislature next January. But at least it represents a
25 step forward by the Board to try to address what is now

1 a really serious problem with respect to customers'
2 earnest money.

3 MR. HANEY: As a representative on the board of
4 the land-lease communities, there have been a number of
5 our membership who has asked me over the last -- since
6 this was first brought up last year how many of these
7 losses in the Recovery Fund have occurred in land-lease
8 communities where it's basically a park owner, either
9 through the park or through the other entities that he
10 also controls, selling homes.

11 And they feel that it's -- it becomes a --
12 I guess you can't really call it a punishment, but
13 certainly an additional cost to them, to a portion of
14 the industry, that to the best of my knowledge has not
15 been a cause of any of any problem. I could be wrong
16 there. There may be some parks that have been included
17 in some of the these Recovery Fund claims. And so there
18 is a little concern from our industry.

19 And I don't see in the Resolution, and I'm
20 not sure how you would be able to do it anyway, of
21 carving out those in-park sales that don't -- that
22 aren't -- the big losses have come from independent
23 retailers basically selling not into land-lease
24 communities.

25 MR. BUTLER: Mr. Chairman, Mr. Haney, we know

1 that over, say, the last ten years there have been a few
2 broker's transactions that resulted in big claims.
3 Because, obviously, a broker who absconds with the
4 earnest money creates the same problem as a dealer does.

5 But you're correct. Within the scope of
6 what this Board has statutory authority to do, I don't
7 know of any way to carve that out. What this Resolution
8 essentially does is say if you're a park owner and it's
9 cheaper for you to get the \$100,000 bond and don't worry
10 about the escrows, you're entitled to do that. And
11 that's really the choice that park owners would have.

12 UNIDENTIFIED SPEAKER: Also the advantage if you
13 found a home, a pre-owned home, less service fee.

14 MR. BUTLER: Right. This -- the third party
15 escrow language here tracks what was in the bill. But
16 we are -- we've already discussed that with MHCA, which
17 is that any lower value in park sales can be done
18 through the trust account anyway. So it's -- it really
19 becomes -- for park owners, it's a choice of is the bond
20 cheaper than converting to an escrow system. If it is,
21 then that's probably what they will do.

22 MS. BLAKE: Mr. Chairman -- oh, I'm sorry.

23 MR. BAIRD: Okay. Thank you. Mr. Chairman, I
24 think that I would and I think the Board would be well-
25 advised to hear from staff on their recommendations to

1 this Resolution.

2 CHAIRMAN WAIT: Next.

3 MS. BLAKE: Well, that wasn't my comment, though.
4 I'll certainly speak to it.

5 My comment was, you know, in this current
6 list of Recovery Fund claims, there were two instances
7 where they were brokers. I don't know if it was park-
8 owned, but both of those claims, one was 90,000, one was
9 120,000 that were paid out of the Recovery Fund.

10 And I guess the point to remember with our
11 broker licensees is, currently, they post a zero bond.
12 There's no bond --

13 MR. HANEY: Oh, strictly broker license. Yeah.

14 MS. BLAKE: There's no bond for a broker license.
15 We have had a few, according to the Licensing
16 Department, DA, regular dealer licenses, switch over to
17 the broker because they couldn't meet the bonding going
18 forward for whatever reason. So for whatever
19 consideration, that information is helpful.

20 And to answer Sam's question, you know, in
21 reading the Resolution, I mean, the department -- I'll
22 speak for Gene and me, I guess.

23 MR. PALMA: Yes. Please do.

24 MS. BLAKE: You know, we're here to serve the
25 Board. And reading the Resolution, you know, my concern

1 was about the burden on already reduced staff here. But
2 in getting clarification from Scott, the audit process
3 was my biggest concern, and that's been addressed. The
4 burden for that will be transferred from the department
5 or not burdening us to the licensee.

6 So, I mean, I don't believe we have opinion
7 one way or the other. I think we agree that the bonding
8 has been a huge drain on our resources, because chasing
9 after surety bonds to support recovery for the Recovery
10 Fund, Beth and her staff has spent a lot of time with.
11 And so anything the Board can do to help protect that,
12 you know, we definitely would be supportive.

13 MR. BAIRD: Mr. Chairman, we do have the \$25,000
14 for almost all licensees.

15 MS. BLAKE: Everybody but brokers.

16 MR. BAIRD: Everybody but brokers. And that's an
17 issue we'll probably address here.

18 But I'd like to ask Ms. Soliere, of the
19 bonds that we've tried to go after the past few years,
20 how many has that been that we've been able to collect
21 money from?

22 MS. SOLIERE: We've collected \$157,626 worth.

23 MR. BAIRD: Those are based on \$25 ,000 bonds?

24 MS. SOLIERE: Yes.

25 MR. BAIRD: What period of time was that?

1 MS. SOLIERE: January of '08.

2 MR. BAIRD: So if those bonds would not have been
3 25,000, but they would have been 50,000, then we
4 wouldn't be in the hole in our accounts.

5 CHAIRMAN WAIT: Exactly.

6 MR. BAIRD: I think that's what brought up this
7 whole issue.

8 CHAIRMAN WAIT: Absolutely.

9 MR. BAIRD: If it had been \$100,000, our fund
10 would be just where it was before pretty much.
11 Certainly not in half the shape that it is now. So the
12 point is, looking at increased bonds, no one wants to
13 increase the bond. And it's a cost of doing business.
14 However, what is the real reason for the bond? In my
15 mind, it's to make sure that the customer is protected
16 and this person deserves to be in the business that he's
17 in and he's responsible enough to respond to the needs
18 of the customer. So -- and the surety bond is one way
19 of assuring that.

20 Now is not a good time, obviously, to force
21 anyone to do anything that will cost them more expenses.
22 But we've proved to ourselves over the past couple of
23 years that we're not doing a good job with this as an
24 industry. So what could we do?

25 I've done some research. Going from 25,000

1 to \$50,000 doesn't do a lot as far as requirements. It
2 doubles the fee, so instead of two or three hundred
3 dollars, it's four or six hundred bucks. I may be off
4 by a hundred dollars here or there, but that's what I've
5 been told. So that's where I was coming from.

6 From that point of view, and for us to
7 realize and understand that, hey, you know, we wouldn't
8 have these problems if the bonds were a little more
9 reasonable. And we'd be two hundred and some thousand
10 dollars better if we had bonds -- or at least \$50,000
11 better if we'd had a bond on the broker who is doing the
12 same type of transaction as the other licensees are
13 required to do.

14 MR. DeSANCTIS: Mr. Chair, the only thing I'd
15 point out is, given the timing, I agree with maybe up to
16 50,000. But 100,000, you would knock so many people out
17 just because from here to then, where they would have
18 been able to qualify, not necessarily as much the net
19 worth going down, but just the ambivalence of trying to
20 get a \$100,000 bond.

21 CHAIRMAN WAIT: I have to -- I believe I'm making
22 the point correctly, they can stay with \$25,000 bond if
23 they go to a third party.

24 MR. DeSANCTIS: Yes.

25 CHAIRMAN WAIT: So, I mean, there's no increase.

1 There's going to be some sort of fee charged, but, you
2 know, as an escrow officer or title company, whoever it
3 is, I don't know what that fee necessarily is, but it's
4 a per transaction fee. And if that protects our
5 industry's integrity to be able to back up and sell the
6 loans, then, you know, I don't see how it's any real big
7 cost to anybody to do that.

8 MR. DeSANCTIS: I wasn't making a comment on the
9 Resolution.

10 CHAIRMAN WAIT: Okay.

11 MR. DeSANCTIS: But I thought just for sake of
12 discussion. The only thing I would bring up, Mr. Chair,
13 to the Resolution, and I just don't have an idea of
14 how -- we just got over talking about fees, and now
15 we're saying an audited trust account report. What --
16 does anybody have an idea what we'd be looking at there
17 for a CPA audit?

18 MS. BLAKE: Mr. Chairman, if Mr. Roe could speak,
19 because he does those today. I don't know if he pays.

20 MR. ROE: Yeah. I'm Dave Roe with Kingman
21 Quality Homes, a small independent retailer. Very small
22 now. I do escrow. I've done it for eight years. Yeah,
23 there's a fee, cash, depending on the cash amount of the
24 deal, depends on the fee. But it could be \$75 on a cash
25 deal to two or three hundred dollars.

1 I look at it as an insurance policy. My
2 customer comes in, and they make the check to the title
3 company. They don't make to the Kingman Quality Homes.
4 It's been working. I get a HUD settlement sheet that
5 help was my audits, where, you know, I just hand Don or
6 whoever is doing it the HUD settlement sheets. That's
7 from escrow. They're regulated, like you guys were
8 saying. It works. I mean its a no-brainer.

9 I understand what Mr. Haney's saying. On
10 their end, I don't understand their industry as much as
11 I do on my end as far as in-park stuff. But as far as a
12 small independent retailer, \$100,000 bond, right now, my
13 bonding company says you've got to have double the
14 amount of liquidity to qualify for that bond. So that's
15 \$200,000.

16 Also, my bonding company gave me a
17 suggestion to go with what the auto dealers are doing.
18 And that's a grandfather. I mean, if you've got a
19 history with a particular retailer or something, leave
20 them alone if they've got a history and they haven't got
21 any violations with a trust account escrow account, any
22 claims. And anybody that's coming in that doesn't have
23 a history, okay, they fall under that.

24 But, I mean, we've got some small
25 individual retailers right now that are suffering. And

1 to implement this bonding, I mean, guys, I'm all for
2 trying to get our standards up. I'm one of the biggest
3 promoters for it. Right now, certain things right now
4 could kind of eliminate some guys that -- out of no
5 control of they are own. They don't have any control of
6 their financials right now. So, I mean, that's --

7 But the escrow works. I'm a proven fact of
8 it. I mean, the department knows our history. It
9 works. And I was just very disappointed to see it got
10 shot down. It needs to get fired back up.

11 CHAIRMAN WAIT: Thank you.

12 MR. BUTLER: Mr. Chairman.

13 CHAIRMAN WAIT: Yes, Scott.

14 MR. BUTLER: Specifically to Paul's question, at
15 least in terms of writing the Resolution, the theory is
16 if your escrow company offers the auditing service,
17 that's fine. All we're really saying is that when you
18 file your renewal application, if you want to keep your
19 bond at \$25,000, you need to file an audited statement
20 on your trust account that shows that you were doing the
21 third party escrow.

22 MR. DeSANCTIS: That's what I was sort of getting
23 at as we were talking about fees.

24 MR. HANEY: What is an audited trust account? By
25 whom?

1 MR. DeSANCTIS: CPA?

2 MR. BUTLER: Title?

3 MR. DeSANCTIS: Oh, title company. I was not
4 saying to look at all the financials.

5 MR. BUTLER: You could use anybody. I mean, if
6 you have a bank, they will do it for you as part of your
7 bank services. We're not saying that you've got to have
8 the right to do it. It just means somebody is
9 certifying that your trust account records show that
10 you're doing the third party escrows for the homes that
11 are required to be covered. And that's all the
12 department needs. We just didn't want them to use any
13 of their audit services to have to do this. So you have
14 to turn it in to show them that that's what you've done.

15 MR. BREEN: Question for you.

16 CHAIRMAN WAIT: Yes, sir.

17 MR. BREEN: I'm Jim Breen from Factory Expo Home
18 Centers. I'm a retailer.

19 Something that wasn't addressed in this
20 document here, if a dealership did pay for more bonding,
21 would they continue to contribute to the Recovery Fund?
22 Or if they went into an escrow situation?

23 MR. BUTLER: Mr. Chairman, if I could respond to
24 that.

25 CHAIRMAN WAIT: Yeah.

1 MR. BUTLER: In the bill, 2473, the legislature
2 modified the way the Recovery Fund works. Without
3 legislation, you can't change the way the Recovery Fund
4 works. So anything that the Board does on bonding does
5 not alter the requirements that contribute to the
6 Recovery Fund. You have to have the legislature do
7 that. There's no other way around that. The only
8 control the Board has is over the surcharge is the
9 amount of the surcharge fee.

10 CHAIRMAN WAIT: And that's max \$30.

11 MR. BUTLER: So, again, we prefer the bill in the
12 sense that it cleans up a lot of the Recovery Fund
13 issues. But you can't do that through Board action.

14 CHAIRMAN WAIT: Roger.

15 MR. WENDT: We can set the fees that are going
16 into the Recovery Fund, though; correct?

17 MS. BLAKE: Yes.

18 CHAIRMAN WAIT: But no more than \$30.

19 MS. BLAKE: I think that's the amount.

20 CHAIRMAN WAIT: And it's been \$30 ever since --

21 MS. BLAKE: Taken it down to 15 --

22 CHAIRMAN WAIT: Yeah.

23 MS. BLAKE: -- by this year and back up to 30,
24 yes.

25 MR. BUTLER: Question regarding that. And I

1 don't know how the fee setting works, but if a
2 dealership sells three homes a month and they're going
3 to pay, say, an average depending on type of escrow
4 transaction, whether it involves real estate or a home
5 only, a home only, if it's \$150, if we're paying a title
6 company \$450 as opposed to paying a title company, why
7 wouldn't we put that in the Recovery Fund, continue the
8 system that we have? Why use a title company?

9 MR. BAIRD: Well, Mr. Chairman, I'm not sure if
10 all the issues that are involved in the Recovery Fund.
11 Payouts were involved that an escrow would solve --
12 escrow company would solve. There's some outright fraud
13 issues that were involved in it. And that's the fact
14 whether you've got your system that we have now or if
15 you have an escrow company. So I think that may be --
16 the \$30, that may be why it's still there, because it
17 covers everything.

18 CHAIRMAN WAIT: Well, my sense on this, in
19 reading through it, it certainly is a step in the right
20 direction. It's something we've been looking at and
21 talking about for quite some time just because of what's
22 happened as it relates to the Recovery Fund, especially
23 with that one specific dealer. And I think we need to
24 do whatever we need to do to try to shore that up.

25 I mean, right now, we're looking at, quote,

1 at least ten months to in order to pay off the claims
2 that are there. We've got some, quote, perhaps legal
3 liabilities hanging over us because of that. So any
4 steps we can take. And I don't see how this, you
5 know -- if the bonding amount can stay at 25 grand if
6 you go to a third party escrow, I believe that getting
7 the title company -- select Chicago Title just for a
8 name -- you do your -- all your home closing escrows
9 through them, and in the end of the year, they write you
10 a letter and say you did them all.

11 I believe that's all the requirement is.
12 You don't have to buy -- I think this is something we
13 ought to really back and support, personally.

14 MR. BAIRD: I have a question, Mr. Chairman.

15 CHAIRMAN WAIT: Yes.

16 MR. BAIRD: And I think I'm agreeing with what
17 you're saying. But if we -- what Mr. Butler was saying
18 is it requires the legislature to set new law for us to
19 be able to change the amount to \$100,000.

20 MR. HANEY: No.

21 MS. BLAKE: No.

22 MR. BUTLER: Again, your staff can tell you, but
23 the bonding amount is in the Board rules. So you have
24 to do a rule-making to change the bonding amount. So
25 all this is is a change to the bonding amount with

1 certain conditions attached. You have to do that
2 through rule-making. So the Resolution directs your
3 staff at the agency to start that rule-making.

4 MR. BAIRD: And the rule making process consists
5 of?

6 MS. BLAKE: Thank you for asking that. It's a
7 process to go through. It has to go through Berg and
8 the whole rule review. Currently, the Governor recently
9 signed an extension to the moratorium on rule changes
10 which extends it through 2011. However, our director,
11 Gene, can make a request of the Governor to approve a
12 rule packet change. And in this case, because it's
13 consumer protection, we probably -- I mean, it's
14 obviously up to the Governor. But we would have a good
15 basis for taking it forward to protect consumers. So --

16 And if I may, just to confirm, Ross, the
17 statute does say the Board sets the fee on the amount
18 that a dealer pays in, and the cap is \$30.

19 CHAIRMAN WAIT: Thank you.

20 MS. BLAKE: And -- because the only other thing,
21 if the Board's leaning towards or ready to further
22 discuss and vote on the Resolution, I only have one
23 recommended change to it. And that's on the bottom of
24 page 29, second to the last sentence, where it says,
25 "The office may immediately and summarily suspend the

1 licensee for failure to perform." I would want that
2 changed to "shall."

3 MR. WENDT: And your rationale is?

4 MS. BLAKE: That way, it's consistently applied.
5 We're not making the decision. Failure to perform,
6 summarily suspended. It's cleaner for us.

7 MR. PALMA: I only have one concern, is that --
8 that's obviously the Board's discretion whether to
9 approve this or not. It's just that there is a fiscal
10 impact on the agency regarding submitting rules, as you
11 well know my financial situation already. So just --
12 just so you'll be aware.

13 MR. BUTLER: Costs money to do a rule.

14 MS. BLAKE: Shall we go back to fee increase
15 again?

16 CHAIRMAN WAIT: No. Please don't.

17 MS. BLAKE: Just kidding.

18 CHAIRMAN WAIT: A general question, understanding
19 everything you said, what would it take? Six months? A
20 year?

21 MS. BLAKE: To prepare the whole packet?

22 CHAIRMAN WAIT: Yeah. To go through this
23 process, as a guess, clearly a guess.

24 MS. BLAKE: I don't --

25 MR. PALMA: Well, I've been involved in rule

1 packets that have taken approximately -- the least has
2 been eight months. The most has been two plus years.
3 It's hard to say. Just the content, the staff you're
4 working with. This would be GRRC. So they'd probably
5 be quicker than the AG's. It's hard to say, but that's
6 the time frame I've been involved in.

7 MS. BLAKE: And if it's a limited rule packet
8 where we're not trying to put in a lot, just focuses on
9 this, I'm not certain, but we could probably have it
10 approved -- and, again, we don't have any control over
11 -- by the July 1, 2011, implementation. Because that's
12 better than, you know, a year away.

13 CHAIRMAN WAIT: Well, I think, like a comment
14 earlier, is consumer protection.

15 MS. BLAKE: Absolutely.

16 CHAIRMAN WAIT: And it really doesn't
17 substantially change the cost to anyone. They could
18 choose that higher bond or stay where they're at. I
19 realize there's a transaction cost involved. And then
20 we have some great history to back up why we would like
21 to have this in place due to, you know, the claims and
22 right now exceeding our ability to pay them.

23 Roger.

24 MR. WENDT: Move to adopt the resolution.

25 MR. DeSANCTIS: I second.

1 CHAIRMAN WAIT: Is that with the word "shall" or
2 "may"?

3 MR. WENDT: "Shall."

4 CHAIRMAN WAIT: Did your second include "shall"?

5 MR. DeSANCTIS: My second includes "shall."

6 CHAIRMAN WAIT: Okay. Discussion, please.

7 MR. HANEY: Okay. At this point where we are if
8 it's approved, this is a Resolution we move forward, but
9 this isn't the language necessarily that we're going to
10 end up with. We still have to develop the language. We
11 still have to develop the package. The language has to
12 be approved by the Board. You've got to take the
13 package to the Governor's Office.

14 MR. PALMA: Yes.

15 MR. HANEY: Governor's got to approve it, then
16 move forward.

17 MR. PALMA: The Governor has to approve it
18 because of the moratorium. As Debra mentioned, it will
19 have to be a public safety issue. Of course, this is a
20 consumer protection issue. So I would think in light of
21 that, that the Governor's Office would approve it, but,
22 again, at their discretion.

23 MR. HANEY: So at this point where we are is
24 we're saying, yes, we'd like to move forward with this,
25 but we're going to need final language and the

1 Governor's approval before we can even go to
2 rule-making.

3 MS. BLAKE: Yes.

4 CHAIRMAN WAIT: Absolutely.

5 MR. WENDT: Neal, the experience we've had here
6 with rules before is it has to come back to us twice in
7 its final language before we can move it on. So, yeah,
8 it's just to move forward.

9 MR. HANEY: See, I've been here on the Board for
10 years.

11 MR. BAIRD: So I see this as the threat that we
12 have to a licensee is, if they don't start using the
13 escrow companies as of January 1, they will all have to
14 pay -- they potentially could have to pay a \$100,000
15 bond in July when they renew. Is that right?

16 MR. STEGMAYER: But this Resolution is not going
17 to -- this rule-making is not going to get done by that
18 time.

19 MR. BAIRD: Yeah, but it could be.

20 MR. BUTLER: Mr. Chairman, we put in the January
21 1 date simply as the way people have a target date. The
22 rule-making package might come out with a different
23 date. It's whatever the Board says. But the bottom
24 line is what you're saying is some period of time before
25 people's renewals, they have to have been doing the

1 third party escrows in order to avoid the increased
2 bonding. And you want to give people at least several
3 months notice. That's why we change -- the Board would
4 change that in the rule-making package if you want.

5 CHAIRMAN WAIT: Okay. Any further discussion?

6 All those in favor, say "Aye."

7 (All responded "Aye.")

8 CHAIRMAN WAIT: Any opposed? Carries the same.

9 All right. Thank you. Next item, call to
10 the public.

11 MR. BAIRD: While we're here --

12 CHAIRMAN WAIT: Yes. Sure.

13 MR. BAIRD: -- I would like to propose another
14 motion that the one licensee that does not require a
15 bond, we would now require them to have a bond.

16 MR. DeSANCTIS: Broker.

17 MR. BAIRD: The broker. I can see no reason why
18 we wouldn't. They're going to pay -- going to cost the
19 Recovery Fund \$200,000. So I would recommend that we
20 cause that broker classification to be required as all
21 other licensees.

22 CHAIRMAN WAIT: Great. I certainly --

23 MR. BAIRD: \$25,000.

24 CHAIRMAN WAIT: So is there a second on that?

25 MR. HANEY: I'll second it.

1 CHAIRMAN WAIT: Any discussion? All those in
2 favor, say, "Aye."

3 (All responded "Aye.")

4 CHAIRMAN WAIT: Motion carries. Thank you, Sam.
5 That was a good thought.

6 And I wanted to thank you, very much, Ken
7 and Scott and the industry in general to come up with
8 this and move this thing forward.

9 MR. BUTLER: We just saw something that works.

10 CHAIRMAN WAIT: Well, the good news is you guys
11 did and the Attorney General didn't.

12 All right. Call to the public.

13 And before announcement of our next
14 meeting, I would like to say that we did a lot of work
15 today, and it was a good meeting. And I want to really
16 thank the steps that have been taken by both Debra as
17 well as Gene to have this developed so that we have
18 something that's getting to be more and more usable for
19 us as a Board member. And then the next step would be
20 getting it in hand a little ahead of time so we really
21 start playing with this thing and have a full
22 understanding before we come to the meeting. I want to
23 thank you very much. And we continue to take the steps
24 to have our numbers agree. So I look forward to having
25 the columns of revenue, expenses, etcetera. So I give

1 my hat off to you. Thank you very much.

2 MS. BLAKE: Thank you.

3 MR. PALMA: Thank you, you're welcome. And we'll
4 definitely look a little harder at those numbers, make
5 sure that they are what they are.

6 CHAIRMAN WAIT: Thank you.

7 MR. PALMA: Continue to improve. Again, any
8 suggestions are welcome.

9 CHAIRMAN WAIT: That's what you said in the last
10 meeting, and you proved it this meeting.

11 MR. PALMA: Thank you. Due to their efforts.

12 CHAIRMAN WAIT: Yeah. I understand.

13 All right. Next meeting date would be
14 what? September something.

15 MS. BLAKE: Mr. Chairman, do you want it in
16 September? Because August would be, you know, the
17 three-month. I know we kind of got off kilter here.

18 CHAIRMAN WAIT: No. September.

19 MS. BLAKE: All right.

20 CHAIRMAN WAIT: Unless something earth-shaking
21 came along. August is not a good month to have a full
22 participation of the Board usually.

23 MS. BLAKE: I don't have the calendar in front of
24 me, but do you want it the third Wednesday?

25 CHAIRMAN WAIT: 15th. Is that the third

1 Wednesday?

2 MR. BAIRD: That is the second. Well, sorry.

3 MS. SOLIERE: No. It's the third.

4 MR. BAIRD: That's the third Wednesday is the
5 15th.

6 MS. BLAKE: Okay. At 1:00 p.m.

7 CHAIRMAN WAIT: Okay. All right. The motion
8 everybody has been looking forward to, to adjourn.

9 MR. WENDT: So move.

10 CHAIRMAN WAIT: All right. Do you second, Neal,
11 or do you want to just stick around?

12 MR. HANEY: Second.

13 CHAIRMAN WAIT: All those in favor say "Aye."

14 (All responded "Aye.")

15 CHAIRMAN WAIT: Thank you, everyone. Great
16 meeting.

17 (The proceedings concluded at 3:36 p.m.)

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1 STATE OF ARIZONA)
2) SS.
3 COUNTY OF MARICOPA)

4 CERTIFICATE

5 BE IT KNOWN that the foregoing proceedings were taken
6 before me, DOREEN C. BORGMANN, RMR, CRR, Certified
7 Reporter, Certificate No. 50644, State of Arizona; that
8 the proceedings were taken down by me in shorthand and
9 thereafter reduced to computer print under my direction;
10 that the foregoing 118 pages constitute a true and
11 correct transcript of all proceedings had upon the
12 taking of said proceedings, all done to the best of my
13 skill and ability.

14 I FURTHER CERTIFY that I am in no way related to any
15 of the parties hereto, nor am I in any way interested in
16 the outcome hereof.

17 DATED at Phoenix, Arizona, this 22nd day of May,
18 2010.

19 
20 DOREEN C. BORGMANN, RMR, CRR
21 Certified Reporter
22 Certificate No. 50644
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